

JPRS 83324

25 April 1983

# East Europe Report

ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2391

**FBIS** FOREIGN BROADCAST INFORMATION SERVICE

#### NOTE

JPRS publications contain information primarily from foreign newspapers, periodicals and books, but also from news agency transmissions and broadcasts. Materials from foreign-language sources are translated; those from English-language sources are transcribed or reprinted, with the original phrasing and other characteristics retained.

Headlines, editorial reports, and material enclosed in brackets [] are supplied by JPRS. Processing indicators such as [Text] or [Excerpt] in the first line of each item, or following the last line of a brief, indicate how the original information was processed. Where no processing indicator is given, the information was summarized or extracted.

Unfamiliar names rendered phonetically or transliterated are enclosed in parentheses. Words or names preceded by a question mark and enclosed in parentheses were not clear in the original but have been supplied as appropriate in context. Other unattributed parenthetical notes within the body of an item originate with the source. Times within items are as given by source.

The contents of this publication in no way represent the policies, views or attitudes of the U.S. Government.

#### PROCUREMENT OF PUBLICATIONS

JPRS publications may be ordered from the National Technical Information Service, Springfield, Virginia 22161. In ordering, it is recommended that the JPRS number, title, date and author, if applicable, of publication be cited.

Current JPRS publications are announced in Government Reports Announcements issued semi-monthly by the National Technical Information Service, and are listed in the Monthly Catalog of U.S. Government Publications issued by the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402.

Correspondence pertaining to matters other than procurement may be addressed to Joint Publications Research Service, 1000 North Glebe Road, Arlington, Virginia 22201.

25 April 1983

## EAST EUROPE REPORT

### ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2391

### CONTENTS

#### INTERNATIONAL AFFAIRS

- Bogomolov Interviewed on Bloc Economic Reforms  
(Oleg Bogomolov Interview; FIGYELO, 31 Mar 83) ..... 1

#### CZECHOSLOVAKIA

- Economic Priority Projects to Year 2000 Discussed  
(Eva Klvacova; POLITICKA EKONOMIE, No 1, 1983) ..... 4
- Incentives for Development, Export of Licenses Viewed  
(Miroslav Hnizdo Interview; RUDE PRAVO, 4 Mar 83) ..... 21
- Associated Production by Agricultural Cooperatives Encouraged  
(Victor Mraz; EKONOMIKA POLNOHOSPODARSTVA, No 2, 1983) .... 24
- Briefs  
CSSR-Vietnam Electronics Deal ..... 30

#### GERMAN DEMOCRATIC REPUBLIC

- Fruit, Vegetable Shortage, Lower Quality Items Reported  
(Hans-R. Karutz; DIE WELT, 18 Mar 83) ..... 31

#### HUNGARY

- Reformer Critical of Current Reform Measures  
(Marton Tardos Interview; MOZGO VILAG, 2 Feb 83) ..... 33
- Finance Ministry Official Urges Enterprise Differentiation  
(Attila Madarasi; NEPSZABADSAG, 26 Mar 83) ..... 54
- Cost Effectiveness of Milk Production Declining  
(Adam Balogh; FIGYELO, 17 Mar 83) ..... 59

Government Floating Bonds for Gas Line Construction (Istvan Cseresznyak, et al.; FIGYELO, 17 Mar 83) .....	62
---	----

#### POLAND

Sejm Resolution on Credit, Incomes, Monetary Policy Discussed (MONITOR POLSKI, 31 Dec 82) .....	65
Draft Version of New Law on Bankruptcy Filing Procedures Reported (ZYCIE WARSZAWY, 26-27 Feb 83) .....	74
Supply Situation of Major Industrial Materials Assessed (J. Gerasimienko, et al.; GOSPODARKA MATERIALOWA, Oct 82)	77

#### ROMANIA

Minister Promises Improvements in Domestic Trade Sector (Ana Muresan Interview; ROMANIA LIBERA, 3 Feb 83) .....	91
Electric Power Minister Plans Improved Efficiency, Supply (Trandafir Cocarla Interview; SCINTEIA, 8 Jan 83) .....	98



BOGOMOLOV INTERVIEWED ON BLOC ECONOMIC REFORMS

Budapest FIGYELO in Hungarian 31 Mar 83 pp 10-11

[Interview with Academician Oleg Bogomolov, director of the USSR Academy of Sciences Institute of the World Economy, by Katalin T. Forgacs, in Budapest, late March 1983]

[Text] On 22 and 23 March, a Hungarian-Soviet scientific conference was held in Budapest on the questions of agricultural economics. The Soviet delegation attending the conference was headed by Oleg Bogomolov, director of the USSR Academy of Sciences Institute of the World Economy. During his stay in Budapest, Academician Bogomolov received a honorary doctorate from Karl Marx University of Economic Sciences. Academician Oleg Bogomolov granted a member of our staff the following interview.

[Question] In your opinion, why has the formation become timely of a committee to study the economic systems in the socialist countries?

[Answer] The interministerial council you are referring to was formed about 18 months ago. Besides the chairman of Gosplan USSR, representatives of all the more important institutions concerned with economic management are members of this council. The council's principal task is to monitor the experience with economic management in the socialist countries, and to recommend for practical application in the Soviet Union the experience that is judged to be positive.

[Question] What is the work schedule of this interministerial council?

[Answer] The council meets several times a year to discuss larger groups of questions. The agenda of one of its latest sessions, for example, included a discussion on what favorable experience has been gained in Hungarian agriculture with the mechanism of economic management and with the management of farm production. At the same time, we also debated the more general features of perfecting the Hungarian system of economic management. We did this in order to closely study and understand all the favorable results that Hungary has been able to achieve, and to borrow from this experience what is suitable for practical application in the Soviet Union.

[Question] When you speak of the practical application of the experience gained in Hungary, do you mean the experience in individual branches or the experience with material incentives and entrepreneurial ability?

[Answer] We always strive to study comprehensively the system of economic management in the individual socialist countries, to see all the elements of these systems in their interrelations, including economic policy and the economic strategy of central economic management. The question of how well they have worked out their economic strategy is exceptionally important, and very much depends on it. Proof of this is the experience in Hungary or, for example, in Poland or Romania.

If gross mistakes are made in investment policy, the allocation of resources, external economic relations or the setting of priorities, the consequences are very serious. Thus we are very much interested in the elaboration of economic strategy, of the strategy in science and technology, in the mechanism by which the strategies are elaborated, and in the practice of long-range planning. The book by Akos Balassa on national economic planning in Hungary, for example, is about to appear in our country. This, too, is an indication of Soviet interest in these subjects. Besides the question of economic management, or of central macroeconomic management, we are closely watching how the long-term objectives of overall social strategy and policy are being realized. An important role in this respect is played by what kind of economic mechanism is functioning in the given country. By how correctly the most important forms are found in the system of relations between the economic independence of the individual enterprises and associations and the authority of the central economic managing organs. Hungary's example is very appealing also in this respect. In agriculture, for example, you have been able to fulfill the plan's objectives solely through economic incentives and regulators, without giving the individual farms separate commands and plan indicators. This of course is a very complex question. Much depends on the price system, the tax system, and crediting. All these questions were on the agenda of the mentioned council, of which I too am a member.

[Question] At the November plenary session, the importance of personal responsibility was emphasized. Do you think changes are necessary in the system for selecting managers?

[Answer] The question of increasing personal responsibility was indeed raised at the November plenary session, and at the same time the importance of tightening discipline also was discussed. Not only the individual worker's labor discipline, but also contractual discipline, and also discipline in fulfilling the plan. However, certain economic measures are necessary in order to increase personal responsibility, and to tighten discipline among economic managers and within society as a whole. Greater responsibility necessarily requires wider authority. Thus it was said already at the November plenary session that the economic independence of individual enterprises must be broadened. We cannot demand greater responsibility if we tie the economic manager's hands. The same applies to discipline as well. Besides discipline stemming from awareness, we must stimulate discipline based on economic interest. Perhaps compulsion is the right word here, instead of interest. The economic conditions themselves must compel strict observation of discipline, and penalize any violation of discipline.

[Question] There are economists who contend that in the present state of the world economy, when the needs of defense and of maintaining or raising the living standard arise simultaneously in the socialist countries, the conditions are not favorable for reforming the system of economic management, for experimentation.

[Answer] In my opinion, the exact opposite is true. The stricter the conditions and the more pressing the questions awaiting solution with respect to developing the economy and raising the standard of living, the more important it is for us to find effective forms and methods of economic management. As we very well know, the United States government is now putting pressure on the Soviet Union and the socialist countries in every respect; by this strategy it wants to create the conditions of a new arms race that will bankrupt the socialist countries. It is attempting to use also the instruments of direct discrimination, e.g., in the sale of high technology. Naturally, the socialist countries must take all this into consideration, and under no circumstances must they jeopardize their defense capabilities. But under these same conditions the question of perfecting economic management, increasing effectiveness and intensifying the economy becomes more and more acute.

Only in this way are we able to meet the dual requirement of maintaining our defense capability and simultaneously raising the standard of living. Thus the conditions of economic activity are becoming more complex, but specifically this compels us to forcefully seek more effective and more perfect forms and methods of economic management and planning.

[Question] How could cooperation among the CEMA countries be made more dynamic? Can this question be solved at all without regulating certain monetary and foreign exchange matters?

[Answer] This is a very complex question. Intensification of cooperation and dynamic expansion of trade require a series of measures. First of all, economic growth in the member nations themselves must accelerate. If the level of, say, farm production is low in the individual countries, then it is difficult to expect that their mutual trade in farm products will expand dynamically. However, faster expansion of trade would be possible even at slower growth rates. This is evident from the growth rate of world trade. Thus, on the one hand, the individual member nations must develop their economic strategy and the mechanism of managing their domestic economies, so that their economic growth will accelerate. On the other hand, measures are necessary to make CEMA cooperation itself more dynamic. Here, of course, economic conditions that give the member nations an incentive to cooperate are very important. Naturally, prices, credits and foreign-exchange questions belong here.

[Question] Thank you for the interview.

ECONOMIC PRIORITY PROJECTS TO YEAR 2000 DISCUSSED

Prague POLITICKA EKONOMIE in Czech No 1, 1983 pp 29-38

[Article by Eva Klvacova: "For Improvement of Planned Management--The Creation of Goal-Oriented Programs in the Experience of Czechoslovak Planning"]

[Text] In a situation where many complex correlations exist between individual factors in the structure of the national economy as a result of an intensified division of labor and penetration of scientific-technological development into every area of the life of society, the solution of problems in the planned development of the national economy demands exceedingly thorough application of new, appropriate forms of planning, management and organization of social production.

In this conjunction, expanded application of the goal-oriented program policy in planning is of prime importance. This approach, whose essence is a subordination of the proposed policies of the plan and allocation of the resources for the achievement of a specific objective, makes the following possible in conditions of increasing complexity of relations between branches and diversity of resources, techniques and technologies employed in national economy:

--"to specify the relations between branches in terms of the goals of the development, and to overcome the limitations stemming from the planning and management of the branches and ministries;

--to channel the use of resources toward certain goals, and if need be, to fulfill the assigned tasks expeditiously;

--to obtain a better balance of the used resources, to improve as much as possible the distribution of the resources among the branches and enterprises according to their best contribution toward the achievement of assigned goals, and thus, to reduce losses and raise efficiency of the invested social resources;

--to consolidate centralization in planning because in the goal-oriented program policy the resources and the sequence of procedures on a certain level are determined by the goals stipulated at a higher level."<sup>1</sup>



The creation of comprehensive programs of development is one of the basic forms in the approach of the goal-oriented program to planning. In the most general terms we may define the program as a "complex of interrelated policies in the organization of scientific research, production, economic and managing operations and distribution of resources for the purpose of achieving a specific stipulated goal of social development."<sup>2</sup> The objective contents of the programs are determined mainly by the type of the program (programs of a conceptual type as opposed to the implemental program, long-range or medium-range programs, social, socioeconomic, scientific-technological programs, programs essentially of a production type, programs of international cooperation, etc.). The basic characteristics of all types of programs should be clearly formulated tasks, the summary and the sequence of policies for their implementation (incorporated in the program on the basis of consideration of potential alternative solutions), including set schedules, calculation of immediate and secondary costs, evaluation of the technical progress and socioeconomic efficiency of individual implemental policies and of the program as a whole, and determination of the accountability for the program and for its individual sectors.

Certain principles must be observed when creating the program so that comprehensive programs may fulfill their objective perfectly, i.e., be able to make full use of every opportunity offered by the goal-oriented program policy.

N.P. Fedorenko, for one, defines those principles as follows:

--"the programs are specified so as to achieve every goal whose implementation in the planned schedule calls for fundamental changes in the directions and proportions of the development of corresponding national economic factors;

--they are focused on the fulfillment of a certain function which is socially compelling and which is expressed as a goal (a system of goals) of the plan;

--as they are being specified, the social factors of development and social consequences of the implementation of social goals are as relevant as the changes in economy and technology of production;

--an individual timetable should be assigned for the implementation of the programs irrespective of usual planning periods;

--final results to be achieved by the set of goals of the program must be unambiguously stipulated in the program;

--the structure of the program, which is arranged in categories, consists of quantitative and qualitative transformation of the resources into the final goals of the program is expressed on every level and between individual levels;

--in their essence the programs are of an interbranch and intersectorial character; therefore, the process of their creation and implementation must be linked with certain changes in the existing organizational structure of management." 3

Other authors also articulated similar principles for the creation of programs. V.J. Budavey (1) stresses also systematization of national economic goals of development and the selection of the most relevant goals to be implemented by means of the comprehensive programs, the interbranch character of the goals, implementation of the program with all necessary resources as well as the need to assess the socioeconomic efficiency of the programs and their subdivisions.

V.I. Danilyov-Danilyan (3) emphasizes the necessary operational identification of the envisaged result when creating the programs (the possibility of its quantitative or structural expression), the availability of the resources in terms of their acquisition or redistribution, the emergent character of the goal implemented by the program, and the implementation of processes which are of only a transitory, impermanent character.

Even though there is some fundamental agreement about the basis for the programs as the mechanism for the implementation of the goal-oriented program policy and about the principles concerning the creation of the programs, many problems persist and require theoretical clarification. This fact is then reflected in the practice of creating individual types of programs and, conversely, it calls for further study of problems occurring in the goal-oriented program policy.

In this context, let us quote again N.P. Fedorenko who characterized identification of the situation in the area of goal-oriented program policy and specifically, in the creation of programs, as follows:

"Although it is generally acknowledged that the goal-oriented program policy is important, many aspects remain unresolved in its methodology (not to mention specific methodical and organizational questions). Thus far initial premises for the creation of goals in social development and their application in planning have not been properly specified; no clearcut concept of the place and purpose of the programs in the system of management has been established; a unified concept of national economic criteria for evaluation of social benefits of the final results of the programs is lacking; numerous problems concerning the integration of the programs in national economic plans have not been approached; the mechanism of controlling the implementation of the programs has not been clarified."<sup>4</sup>

The failure to resolve many theoretical-methodological problems in the goal-oriented program policy and in the creation of the programs is inevitably projected in practice into the creation of the programs in the conditions of the CSSR. This fact must be taken into consideration when describing individual types of programs, evaluating the balance of their creation with the recommended principles and when acknowledging



certain existing problems and shortcomings. Let us now deal with the question of the situation in the application of the goal-oriented program policy in the CSSR in the experience of the creation of goal-oriented programs; we shall limit our review to programs of a national economic type and avoid programs created on lower level of management.

### The Existing Programs

On the level of Czechoslovak national economy the system of programs consists of two subsystems: long-term comprehensive programs and state goal-oriented programs which, in principle, should follow from the long-term comprehensive programs and whose character is rather medium-range and implemental.

The methodology of the creation of the long-term comprehensive programs and their objective contents are at present in the planning stage and thus, this group of programs cannot be described in greater detail. Programs should be created in particular:

--on the basis of an analysis of the development followed thus far in the Czechoslovak economy;

--in agreement with societywide goals outlined by the party leadership;

--with the fullest possible application of prognostic studies, especially the prognosis for the development of science and technology in the CSSR and in the world, and the prognosis for socioeconomic development;

--in close connection with long-term goal-oriented programs for cooperation with the CEMA countries, and with consideration of bilateral and multilateral coordination of economic, scientific and technological development.

State goal-oriented programs represent another form of implementation of the goal-oriented program policy in the Czechoslovak national economy. Unified methodological instructions for the preparation of the draft for the 5-year plan for 1981-1985 and the proposal for the plan implemented in 1981 defined the objective of this group of programs as follows:

"The purpose of these programs is to plan and implement fundamental qualitative changes focused on final national economic achievements during the Seventh, or as the case may be, the Eighth 5-Year Plan. This type of program combines all vital points of view (economic, scientific-technological, international, social, territorial, geological, etc.) so as to achieve the best social effect in the least time by efforts which are coordinated between the ministries and between disciplines and in which all participating organs and organizations are involved."

The state goal-oriented programs are more or less implemental and mainly of medium-range perspective. The relation between the long-term comprehensive programs and the state goal-oriented programs is the relation of the goal and its implementation--the long-term comprehensive

programs should represent the basic point of departure for the state goal-oriented programs (just as in the long-term comprehensive programs they represent the basic point of departure for the prognosis, especially for the prognosis of the scientific-technological development, internal and external preconditions, and potential directions in economic development), the state goal-oriented programs should then become the basic policy for the implementation of the long-term comprehensive programs. Of course, the selection of state goal-oriented programs for the Seventh 5-Year Plan followed somewhat different lines because the long-term comprehensive programs had not been completed (that is the task for the second stage in the preparations for a long-term outlook). Nonetheless, the principle of identical fundamental criteria for the choice of programs and the principle of correlating the state goal-oriented programs with the long-term comprehensive programs have generally been observed.

The material contents of the set of state goal-oriented programs have changed on several occasions. Among the main reasons for such changes were, on the one hand, changes of external economic conditions projected in the necessity of certain restrictions and, on the other hand, the unrealistic requirements of resources of those who implement the programs.<sup>5</sup> At this time, the set of state goal-oriented programs includes 13 programs:

1. development of the nuclear power complex;
2. rationalization of fuel and energy consumption and utilization;
3. rationalization of metal consumption;
4. development of transmission equipment;
5. efficient semiconductor converters and efficient semiconductor parts;
6. hydraulic components and units;
7. industrial robots and handling equipment;
8. development of the manufacture of accessories for motor vehicles;
9. electronics;
10. high-voltage distributors;
11. technical equipment for automatic control systems of technological processes, production and nonproduction operations;
12. selected types of chemical production;
13. advanced transport systems.

In a broader sense of the word, the goal-oriented projects for scientific development, which may be included in the set of current programs in the CSSR, stem from the effort to select for solution in basic research those tasks which are of vital importance for the further progress of the Czechoslovak national economy. The selected 19 goal-oriented projects for scientific development proceed from three crucial trends outlined in the scientific-technological development of Czechoslovak economy, namely:

- comprehensive utilization of raw materials by their efficient processing in the production of functional materials and types of energy;
- electronization and cybernetization of operations in production and consumption systems, in order to improve their efficiency;

--utilization of biogens and biological technologies to expand biotic resources and improve their utilization.

The main trends in scientific-technological development were chosen so as to conform with specific conditions in the CSSR and, at the same time, to follow worldwide tendencies in technological development. Czechoslovak trends do not include any developmental conceptions that are not in balance with our domestic resources and whose requirements are so high that they exceed our potential. It is presumed that the data of world sciences and technology will be applied in these directions.

Seven main groups of problems in social practice, on which the main trends of scientific-technological development should focus in the period to year 2000 have been identified.

The groups of problems include the acquisition and comprehensive utilization of mineral raw materials; the acquisition, transformation and transfer of technology; technology for the production of materials and methods of their rational consumption; conservation and improved efficiency of human labor by means of electronication and cybernetization of the processes of production and control systems; self-sufficiency in domestic food production for more rational nutrition; environmental protection and creation and salubrious physical, mental and social development of the young generation. Strategies for future scientific-technological development and its main directions to the year 2000 have been proposed in a sequence of individual groups of problems.

The following 19 goal-oriented projects for the development of basic research evolved from problems in social experience, main trends in Czechoslovak scientific-technological development and its basic strategies and directions to the year 2000:

1. New highly sensitive methods of geophysical survey;
2. mining of mineral raw materials in difficult conditions, their processing and thermochemical processing of bituminous coal;
3. advanced computer memories;
4. optical communications;
5. equipment, installations and methods for technological and diagnostic purposes in microelectronics;
6. information control robot systems;
7. application of computer technology in the planning of complex machinery;
8. comprehensive utilization of lignocellulose raw materials - phytomass;
9. bioanalogical polymers;
10. technology of genetic manipulation;
11. microbiological processes;
12. peptid regulators of vital processes;
13. innovation of diagnostic and medical means and methods in diseases of civilization;
14. integrated protection of cultivated vegetation;

15. controlled reproduction of livestock;
16. protection of large-scale livestock production against parasites;
17. improved ecological management in the countryside;
18. optimum ecological utilization of East Slovakia lowlands;
19. immobilized biological systems.

State programs for technological development which represent the basic form of application of the goal-oriented program policy in the area of applied research serve the same purpose here as goal-oriented projects for the development of science in the area of basic research. Unlike the goal-oriented projects for the development of science, however, they do not represent a new form of planning and management of scientific-technological development. State programs for technological development which include the most vital tasks of technological research played a key role even in the preceding 5-year plans; the method of their compilation is basically unchanged.

Below we present a list of the current 19 state programs for technological development (we follow the original designation of the programs):

- P 02 Program for the development of telecommunications;
- P 03 Program for the development of high-voltage electrical engineering;
- P 04 Program for applied cybernetics;
- P 05 Program for chemical materials;
- P 06 Program for improvement of the technical and economic standards in ferrous metallurgy;
- P 07 Program for new materials based on nonferrous metals and powder metallurgy;
- P 08 Program for comprehensive utilization of wood pulp;
- P 09 Program for the development of nuclear technology;
- P 10 Program for the development of power management;
- P 11 Program for the solution of efficient self-sufficiency in the production of food for the population;
- P 12 Program for the development of the material base and industrialization of the construction industry;
- P 13 Program for improvement and rationalization of mobility of materials in the national economy;
- P 14 Program for upgrading technical standards and operational safety of machinery and equipment;
- P 15 Program for the development of production processes in machine engineering;
- P 16 Program for environmental protection and creation;
- P 17 Program for national health care;
- P 18 Program for state information policy for scientific-technological development;
- P 19 Program for innovation of technological economic standards of selected products in machine engineering;
- P 20 Program for the development of electronic measuring and laboratory technology.



The above-mentioned programs or projects represent our own, Czechoslovak, application of the goal-oriented program policy. In addition, the CSSR is involved in practical application of the goal-oriented program policy by her extensive participation in long-term goal-oriented cooperation programs. These programs play an irreplaceable role among the methods and policies of the joint organizational planning program of the CEMA countries. The decision concerning their draft was announced at the 29th session of the CEMA in 1975 in Budapest where the CEMA Committee for Cooperation in Planning was assigned the task to organize works connected with the creation of long-term goal-oriented cooperation programs.

At present there are five approved long-term goal-oriented cooperation programs (including a total of 343 tasks).

They are the following:

1. the long-term goal-oriented cooperation program to supply basic types of energy, fuels and raw materials for the economically justified needs of the CEMA states up to 1990 (approved at the 32nd CEMA session in 1978);
2. the long-term goal-oriented program of cooperation in engineering for the construction of machinery and equipment required for the implementation of the policies under consideration for the program in the area of fuels, energy and raw materials, as well as in agricultural and food industries for the development of the engineering branches which will serve as the base for qualitative reconstruction of those industries (approved at the 31st CEMA session in 1978); an amendment to that program stipulated in detailed policies for the acquisition of machinery and equipment which may be required for the program of industrial consumer goods and for the development of transportation in the CEMA member states (approved by the 32nd CEMA session in 1979);
3. the long-term goal-oriented program for cooperation in agriculture and food industry for the best possible supply of food for the needs of the population (approved by the 32nd CEMA session in 1978);
4. the long-term goal-oriented cooperation program for supplying industrial consumer goods for rational needs of the CEMA member states (approved by the 33rd CEMA session in 1979);
5. the long-term goal-oriented cooperation program for the development of transportation in the CEMA member states (approved by the 33rd CEMA session in 1979).

The CSSR is participating in almost all of these programs. A few data may offer some idea about the extent of that participation. According to completed analyses, the share of Czechoslovak engineering production on the basis of agreements within the long-term goal-oriented cooperation programs should be 19.6 percent of total engineering production in 1980

and 24.5 percent of total engineering production in 1990; the share of Czechoslovak exports in total exports to socialist countries was estimated at 26.7 percent in 1980 and as much as 30.3 percent in 1990. Of course, that is only an estimate; actual shares which may deviate from the program have not been determined (nevertheless, one may envisage the effect of the long-term goal-oriented cooperation programs on the Czechoslovak national economy). Analogical data may be offered for the chemical industry. The total turnover of foreign trade with the USSR on the basis of the aforementioned programs is estimated at approximately 300 million rubles<sup>7</sup> in 1981-1985 (imports of energy-intensive products of basic chemistry in the amount of 150 million rubles, exports of less energy-intensive products of "qualified chemistry" in the same amount).

The extent to which other long-term goal-oriented cooperation programs have affected the structure of the Czechoslovak national economy has not been determined. However, our participation in programs to supply the basic types of energy, fuels and raw materials for the economically justified needs of the CEMA member states, which is of considerable importance for the development of the Czechoslovak economy, cannot be expressed in more comprehensive figures.

In view of the CSSR's far-reaching participation in long-term goal-oriented cooperation programs and of their significant effect on our economy, this set of programs should also be taken into consideration when evaluating the situation of the implementation of the goal-oriented program policies.

#### The Positive and Negative Traits of the Set of Programs; Topics for Future Research

Individual types of programs, i.e., the long-term goal-oriented cooperation programs within the CEMA countries,<sup>8</sup> the long-term comprehensive programs and the state goal-oriented programs, are fundamentally in agreement in the sense that they are focused on the solution of basically identical key problems, especially the acquisition of additional sources of fuels, energy, raw materials and agricultural products, on rationalized consumption of individual resources, on greater self-sufficiency and lower dependence on nonsocialist countries in all kinds of products and, finally, on upgrading technical-economic standards and increasing the ability to compete in foreign markets, particularly in engineering products, on the basis of specialization. Especially distinctive material correlations exist between the long-term goal-oriented cooperation programs in the CEMA countries, on the one hand, and the long-term comprehensive programs and the state goal-oriented programs, on the other hand.

Thus, for instance, the state goal-oriented programs "Development of the Nuclear Energy Complex," "Rationalization of the Consumption and Utilization of Fuels and Energy" and "Rationalization of Metal Consumption" follow the long-term goal-oriented program. Most state goal-oriented programs in the field of engineering follow long-term goal-oriented programs for the development of the engineering industry on the basis of international specialization and cooperation; adopted on bilateral and multilateral bases.



In principle, the focus of all analyzed types of programs (the long-term and medium-range programs, and also to some degree programs for the development of science) on the solution of identical or analogical problems may be regarded as very positive because it represents an appropriate reaction to the most urgent current problems. On the other hand, naturally, it indicates that the emphasis on current needs is in a way overly one-sided, that the future values and needs are not being adequately projected (especially in long-term programs) and that we are not quite ready to deal with actual problems and are lacking, above all, full grasp of the information gained from scientific-technological development and from the study of problems in the process of solution.

Along with gradual application of the goal-oriented program policy, individual problems encountered in the initial implementation of the program are now being approached. The practical application of the goal-oriented program policy (long-term comprehensive programs in the Sixth 5-Year Plan) demonstrated a considerable shortcoming, for example, because--contrary to the fundamental principles of that approach--the scope of the programs had been stipulated to such an extent that it almost overlapped the "areal" planning of national economic development. If the programs are conceived so broadly that the category of goals may be expressed essentially as: development of production in branches (or in several branches)--development of production in sectors--development of production of goods (or groups of goods)--and if almost all of economy is affected, it is understandably extremely difficult to implement the basic characteristics of the goal-oriented policy: variability in the stipulation of the goals, the repetitive process of confrontation of the goals with the sources (stipulation of the requirements made by every partial goal on sciences, research, investments, cooperation, etc.; confrontation of total requirements with the resources; exclusion of inexpedient variants, etc.).

This problem is much less evident in long-term comprehensive programs considered for the Seventh 5-Year Plan. Also, the extent of the state goal-oriented programs has been narrowed down extensively in their draft as compared with the original objectives; the goal-oriented projects for scientific development were stipulated directly so as to encompass the most vital problems in the development of Czechoslovak sciences.<sup>9</sup>

In view of the relative novelty of the goal-oriented program policy, as well as in view of other objectively existing facts, the scope of the problems related to its implementation in the form of individual types of programs remains unresolved. At the same time, these problems represent to an overwhelming degree topics for further study of the given problems.

The system of selecting topics for programs on the basis of predetermined criteria has not been resolved. Without any doubt, this fact--along with other factors--affected several changes of objective focus in the set of both the long-term comprehensive programs and the state goal-oriented programs. Objections may be raised against the not adequately

systematic selection of the basic sets of programs, but they apply even more to the fulfillment of individual programs on the lower level, i.e., on the level of the VHI [economic production units] and enterprises.

The incomplete resolution of the system of selecting the topics for the programs is closely connected with the fact that thus far, no satisfactory category of criteria for that selection has been determined, mainly due to the fact that the programs (the long-term goal-oriented cooperation programs, the long-term comprehensive programs and the state goal-oriented programs) are focused, first of all, on the satisfaction of certain existing needs. Other points of view, particularly long-range economic efficiency and social aspects, have now somewhat receded into the background. However, in further proceedings a unified category of criteria (with attribution of significance to individual criteria) should be applicable in the selection of topics, including especially criteria of national economic urgency, economic efficiency in the country as well as in relation to foreign countries, the requirements of resources, feasible implementation of the solution (assessment of the existing risks and uncertainties), and alternative solutions (evaluation of other options that may be taken into account).

The availability of a unified set of criteria for the selection of programs and the existence of an appropriate system in the selection of topics based on the set of criteria are the necessary but not sufficient precondition for the planning of the programs. When planning the programs, it is imperative to deal at the same time with the question, "How must the programs be planned so as to render them mutually consistent and to respect all external restrictions and all relations of the programs to their environment?" The fact that this question has not yet been satisfactorily answered was one of the reasons for the occurrence of certain mutually exclusive proposals for the solution of the long-term comprehensive programs in the Sixth 5-Year Plan, the resultant stagnation of the work on some long-term comprehensive programs and the failure to complete them; furthermore, it caused several changes of the objective focus of the state goal-oriented programs for the Seventh 5-Year Plan. The complete solution of this question presupposes, above all, a study of individual types of correlations of the programs with the prognoses, correlations within individual programs as well as between individual types of programs, and correlations of the program with the medium-range and operational plan for national economic development, and studies of feasible methods for the determination and observation of important correlations in the planning of individual programs, and study of the iterative method for reconciliation of antagonistic proposals.

The crucial question in all types of programs concerns complete solution of the relation between the planning of selected directions in development on the basis of the goal-oriented program policy, and the planning of national economic development across its entire area. It is necessary to establish a system of priorities for the fulfillment of the goal-oriented

programs before all other plans. The opposite is mostly true for the situation at present. Although, for instance, supplies for the state goal-oriented programs should be given priority over all other planned actions, with cuts of funds, the resources for those programs are being reduced as much or even more than the resources for other planned actions.

The determination of a set of priorities in the fulfillment of the programs (the long-term comprehensive programs and the state goal-oriented programs) calls for an analysis of the significance and feasibility of the application not only of the central management but also of the economic mechanism. Thus far, the management of the programs was based mainly on the central management, primarily on the determination of mandatory indicators for the program. As it appears, however, neither the stipulated highly obligatory character of the programs nor their particular national economic urgency and socioeconomic efficiency are relevant for those who implement the program. For them, the critical factor is whether in their own judgment the program looks attractive. It is difficult to apply economic mechanisms in the programs because in general the programs are directed to the area of consumption in production. Unlike final consumption, a great many linkages existing here complicate the application of economic mechanisms. For instance, utilization of price advantages as incentives for those who implement the programs could set off far-reaching chain reactions. Also, the scope for the application of personal economic incentives is determined by the possible development of an uncontrolled escalation of wages. A danger of potential chain reactions is also present more or less in other economic mechanisms.

Despite the complexity of the problems connected with the possibility of using economic mechanisms as incentives for those who implement the programs, or rather, precisely because of that complexity, these problems call for special attention in further studies of questions concerning the goal-oriented program policy and analyses of specific forms of its implementation. Questions pertaining to incentives for liquidating productions which are inefficient and inconsequential for our national economy should be studied together with the questions of incentives for the fulfillment of the programs in order to provide a space for the programs and other types of efficient socioeconomic production. Experience with phaseout programs provides convincing proof here that it is unrealistic to liquidate redundant types of production only by means of obligatory plans (even if we consider that phaseout programs have not been applied because of the opposition of interested parties as well as many other factors, among them probably the most important being the inability to obtain products made by the phaseout branches from other than our domestic sources).

Finally, the extent to which the factor of scientific-technological development is present in the programs is a problem of vital importance. The programs, especially the long-term comprehensive programs, are among the basic mechanisms for the selection of main directions in scientific-technological development which should be implemented in our national economy over an extended period. The future development of the Czechoslovak



economy and the overall efficiency of that development depend primarily on the extent to which the long-term comprehensive programs will be met in branches, groups of products and technically highly advanced products (along with their positive socioeconomic impact).

As for the scientific-technological development present in long-term comprehensive programs, problems were in evidence even in the Sixth 5-Year Plan; it would be unrealistic to assume that every problem will soon be resolved. If we avoid the question of potential implementation of certain objectives which call for enormous funds, extensive work forces and some resources in short supply, we are faced with at least two partial problems in the relation: scientific-technological development--long-term comprehensive programs; one of them is of an objective and the other of a methodological character.

The first partial problem concerns, in our opinion, the lack of an adequate headstart of the programs for scientific development before the programs for technological development, and of the programs for technological development before the operational programs (state goal-oriented programs). With some simplification, it may be said that the state goal-oriented programs should proceed from the already completed data (at most, after the necessary conclusion of the development) prepared for application, and the long-term comprehensive programs should and must plan the application, and the long-term comprehensive programs should and must plan the application of information now in the process of specification in applied research or already forwarded from basic research to applied research; thus, they should not plan to implement information which may be derived from the tasks now being introduced in basic research. Naturally, such a headstart goes hand in hand with the fulfillment of numerous preconditions; among them the most relevant for the solution of a given problem is the restructuring of the Czechoslovak research and development base in terms of its specialization in those directions of research that are the most urgent and potentially the most efficient from the social viewpoint, along with corresponding specialization in the production and fundamentally more extensive application of foreign information gained in the development of sciences and technology.

The problem of the methodological type in the relation: scientific-technological development--long-term comprehensive programs concerns appropriate consideration of the character of the scientific-technological development in long-term planning. Thus far the conjectural character of scientific-technological development, its longevity and risks have not been adequately reflected in the methodology of planning. Long-term planning of scientific-technological development in and outside the programs should apply methods that consider the possibility that the outlined goal may never be reached, or achieved only partially, but that, nevertheless, its study will lead to new information which may be applicable in some other areas, etc. In view of the level of information, however, the determination of methods considering specific traits of scientific-technological development in the goal-oriented program policy is again a topic for further research rather than a comment about current methodology.

## Summary

On the basis of the theoretical-methodological claims of the goal-oriented program policy and in relation to the heretofore Czechoslovak experience in the area of programs and its problems, the following conclusions about the opportunities for further improvements of the creation of goal-oriented programs for social, economic and scientific-technological development may be offered.

1. The application of the goal-oriented program policy should concentrate on the crucial problems of development. In the future, the number of programs of all sorts should not be raised but rather decreased so that individual programs may obtain supplies of resources on a priority basis and at the same time, so that the high quality of their preparation be safeguarded. It is advisable to create programs only where the necessary changes of the existing conditions are so extensive that they exceed potential adaptability of the current planning system.

2. The programs must be based firmly in the intersection of the following points: prognosis--plan--economic mechanism. The prognosis represents the fundamental point of departure for the creation of the programs and facilitates the orientation as concerns the importance of objectives which the goal-oriented program policy should implement, as well as concerns alternative methods for the fulfillment of the goals. The plan is a criterion of the feasibility of the programs: coordination of the programs with the nonprogram part of the plan is a necessary precondition for their implementation. The economic mechanism determines whether those who implement the programs will become interested in them or not.

3. The programs should be formulated as absolutely immutable, which is the case in most of the current programs, and cannot constitute a closed, rigid unit where neither its material contents nor its schedules and other parameters may be modified. It is desirable that every program be conceived as an open system which will facilitate flexible reaction to new information in the scientific-technological development, to changes in the conclusions derived from assessments of the socioeconomic efficiency of the programs in our country and in relation to other countries, as well as to the changing demands for the satisfaction of certain needs. The openness of the programs should be further enhanced in particular by extending their projected schedules.

4. An absolutely essential precondition for the creation of the programs involves the alternative approach to the fulfillment of the outlined goals. In common practice, it is assumed that the most fundamental requirement in the creation of the programs is to maintain the following sequence: selection of general goals; breakdown of those general goals to goals on the lower and lowest levels; determination of organizational policies for a comprehensive fulfillment of every partial goal, and thus, of the whole gradational structure of the goals, while no alternative solution is considered on individual levels of their breakdown, except on the lowest

level. Such an assumption is legitimate only in exceptional cases, only in programs where economic considerations retreat into the background (nuclear research programs). In programs of all other types, the assessment of alternatives must be made on all consecutive levels.

5. The practice followed thus far when creating the programs fully confirm that it is appropriate to insist on individual time projections for the program determined not by the duration of the planning period but by the specific need. In practice, the unrealistic "confinement" of the program within a certain period of time corresponding to the planning methodology is frequently one of the reasons why the program remains unfulfilled, why it gets rejected and why new programs are developed with a focus on the solution of other problems. However, that means the end of the program should fade out automatically after its solution or after it ceases in some other way to be needed. In principle the reason for the liquidation of the program should not be even its nonfulfillment within a specific planned schedule, if the need for its solution continues.

#### FOOTNOTES

1. Kirichenko, V.N.: "Long-Term Plan for National Economic Development" Svoboda, Prague 1979, p 237.
2. Kirichenko, V.N. and Orlov, V.: "Some Methodological Problems in Social Planning" PLANOVOE KHOZYAYSTVO 8, 1981.
3. Fedorenko, N.P., et al: "Problems in the Planning and Management of Goal-Oriented Programs] EKONOMIKO-MATEMATICHESKIE METODY 4, 1978.
4. Fedorenko, N.P., et al. "Comprehensive National Economic Planning" Svoboda, Prague 1976.
5. Quantification of these requirements and detailed enumeration of problems connected with the state goal-oriented programs—see V. Glaser's "Evaluation of Projects for the State Goal-Oriented Programs for the Seventh Five-Year Plan" PLANOVA NE HOSPODARSTVI 11, 1980.
6. Cerny, M. "Analysis of Organizational and Methodological Aspects of Long-Term Goal-Oriented Cooperation Programs" internal report, VUPR 1978.
7. Data by the State Planning Commission.
8. We assess these programs only in terms of the CSSR's participation and not as a unit.
9. The interaction of the long-term goal-oriented programs for cooperation has not changed in its extent since the beginning. There are no more than five long-term goal-oriented cooperation programs at present, but



they are broken down to individual areas, and within those areas, into individual problems in such detail that they de facto cover practically the whole structure of the national economy. Thus, for example, the long-term goal-oriented program for cooperation in supplying the basic types of energy, fuels and raw materials for economically justified needs of the CEMA member states includes 8 areas and 45 problems that cover almost the entire area of the mining industry, power engineering, ferrous and nonferrous metallurgy, the chemical and petrochemical industry, and wood, paper and cellulose-processing industry. Equally broad interactions also exist in other programs, especially in the program for the area of engineering.

#### BIBLIOGRAPHY

1. Budavey, V.J. "Dolgorochnye narodnokhozyaystvennye programmy" [Long-Term Economic Programs] MYSL, Moscow 1980.
2. Cerny, M.: "Analyza organizacnich a methodickych stranek dlouhodobych cilovych programu spoluprace" [Analysis of Organizational and Methodological Aspects of Long-Term Goal-Oriented Programs of Cooperation], internal report, VUPR 1978.
3. Danilyov-Danilyan, V.I., and Toroyan, V.O.: "Model tselevoy programmy v sisteme optimalnogo perspektivnogo planirovaniya" [Model of the Goal-Oriented Program in the System of Optimum Long-Term Planning] EKONOMIKA I MATEMATICHESKIYE METODY 4, 1978.
4. "Dlouhodobé komplexní programy" [Long-Term Comprehensive Programs], working materials, SPK, 1981.
5. Fedorenko, N.P., et al.: "Komplexní národohospodárske plánování" [Comprehensive National Economic Planning], SVOBODA, Prague 1976.
6. Fedorenko, N.P., et al.: "Problémy programo-tselevogo planirovaniya i upravleniya" [Problems in the Planning and Management of Goal-Oriented Program], EKONOMITSKO-MAT. ATICHESKIYE METODY 4, 1978.
7. Glaser, V.: "Zhodnoceni projektu statnich cilovych programu no 7. petiletku" [Evaluation of Projects of the State Goal-Oriented Programs for the Seventh 5-Year Plan], PLANOVANE HOSPODARSTVI 11, 1980.
8. Holecek, J., et al.: "Vybrane problémy tvorby dlouhodobych cilovych programu spoluprace" [Selected Problems in the Creation of Long-Term Goal-Oriented Cooperation Programs], Economic study of the VUPR No 62, Prague 1979.

9. "Charakteristiky navrhu cilovych projektu statniho planu zakladniho vyzkumu" [Characteristics of the Proposals for Goal-Oriented Projects of the State Plan for Basic Research], CSAV, Prague 1981.
10. Kirichenko, V.N.: "Dlouhodobý plan rozvoje narodniho hospodarstvi" [Long-Term Plan for National Economic Development], Svoboda, Prague 1979.
11. Kirichenko, V.N.: and Orlov, V.I.: "Někotorye metodologicheskiye voprosy sotsialnogo planirovaniya" [Some Methodological Problems in Social Planning] PLANOVOE KHOZYAYSTVO 8, 1981.

9004

CSO: 2400/181

INCENTIVES FOR DEVELOPMENT, EXPORT OF LICENSES VIEWED

Prague RUDE PRAVO in Czech 4 Mar 83 p 5

[Interview with Eng Miroslav Hnizdo, head of the license department of the Federal Ministry of Technological and Investment Development by Vladimir Cechlovsky; date and place not given: "Licenses Must Not Only Be Bought"]

[Text] Probably nobody in our country entertains doubts any more about the usefulness of purchasing progressive scientific-technological knowledge in the form of licenses. It is obvious that the Czechoslovak scientific research basis despite its size cannot meet all needs of development of the national economy with its own workers. By importing licenses, we not only speed up technical progress, but also enrich the domestic market, reduce imports and solve some raw materials, energy and export problems.

However, sale of licenses is also advantageous. Through the export of know-how considerable amounts of foreign exchange can be acquired at minimum costs. For these reasons, we asked Eng Miroslav Hnizdo, how we were doing in both directions.

[Question] What are the results of our license activity?

[Answer] As to the purchase of licenses, their number continues to increase in relations both to the socialist and nonsocialist states. During the Sixth 5-Year Plan for example we bought 117 licenses more than during the previous 5-year plan. Foreign exchange spent on these purchases at FOB prices surpassed by Kcs 672 million the indicators from the Fifth 5-Year Plan. On the other hand, our sale of licenses did not substantially improve in terms of foreign exchange received.

[Question] Let us talk first about the purchase of licenses. What did they bring?

[Answer] In the first place, a considerable volume of production for both the domestic and foreign markets which exceeded Kcs 127 billion at wholesale prices during the Sixth 5-Year Plan. License contracts were signed, for example, for manufacture of some elements of electrical engineering, screw and nut presses, polypropylene, herbicides and fungicides for agriculture, medicines for vein disorders and ulcers, and so on.

[Question] Have there been some changes in the motivation for licenses?

[Answer] Licenses were bought primarily to expand electrical engineering and engineering industries and agriculture, and to increase manufacture of consumer goods. Of the total volume of licenses, electrical engineering accounted for 44 percent, metallurgy and engineering for 20 percent, and the chemical industry likewise for 20 percent. Agriculture, manufacture of medicines, cosmetics and consumer goods accounted for the rest.

[Question] What in particular has hindered more effective utilization of imported licenses?

[Answer] Delays and lack of uniform criteria in the long-term plans for development of some sectors and continuous changes in them, noncompliance with the specified deadlines set for capital investment and general difficulties in supplier-customer relations. These problems caused considerable increases in imports of some raw materials and parts for licensed production, although according to the original estimates they should have been manufactured in our country. Likewise, the period necessary for mastering licensed production is too long in some instances.

[Question] An absolute prerequisite for licensed production, however, is also completion of related capital investment projects, imports of various machinery, component parts and raw materials. Are proper conditions being created for it?

[Answer] Essentially yes. On the average, imports cost 10 times as much as the license fees, but in some sectors such as petrochemistry the ratio is even higher. For this reason, the Federal Ministry for Technological and Investment Development will have to evaluate, in cooperation with the State Planning Commission, some important licenses comprehensively in the future. The conditions for it have been to some extent already created by various government resolutions.

[Question] What is the attitude of our scientific research toward the purchase of licenses?

[Answer] Despite the positive results in their implementation, the purchase of licenses has not yet found full support of research centers. The point at issue is that our scientists and research workers must much more thoroughly evaluate whether a problem can be solved better by our own expensive research or by the purchase of a license. This will necessitate paying more attention by our research development basis to the results achieved in solution of problems abroad.

[Question] What is the situation in the sale of licenses?

[Answer] Although the revenues from licenses sold to the socialist countries increased, we still import much more than we export. I see the reason for it, for example, in insufficient advertising of the results of our technical development and in the forms in which they are made available. While the organizations, for example, in the USSR, Bulgaria, Hungary, GDR and Poland systematically switched to license agreements, it has not been done on such a scale in our country so far.

[Question] What about the revenues from the licenses sold to the nonsocialist states?

[Answer] They gradually decreased in the course of the Sixth 5-Year Plan. This unfavorable development was brought successfully to a halt and the situation improved in 1980 and 1981.

[Question] What are the principal reasons for this situation?

[Answer] They are due to the general attitude of our organizations. For example, materials necessary for the sale of licenses are not always prepared on time by individual levels of management as commercial utilization of technical design would require. Frequently there are delays caused by the long discussions about whether products should be exported or a license sold. In a number of instances, we are not able to comply with the foreign firm's request to send them Czechoslovak technicians to introduce or supervise new licensed production. Nor are there any incentives for the management personnel of organizations for sale of licenses.

[Question] How will be these shortcomings eliminated?

[Answer] License activity should increase as a result of the experiment which is being verified in selected sectors. Its essence is that the organizations can include the revenues from the sold licenses in the fulfillment of their production targets. The targets for signing of license sales are detailed. The measures which were enacted primarily in the sectors claiming the largest amounts of foreign exchange for purchase of licenses should result in a 20-35 percent increase in planned revenues during the Seventh 5-Year Plan. Work is also in progress on developing an information system which will process information on potential bids of products and technologies for sale of licenses to foreign countries.

[Question] Can the organizations offering licenses count on financial incentives?

[Answer] From the beginning of this year there is a decree in effect according to which organizations which sell licenses may keep as much as 50 percent of revenues in foreign exchange. The organization can use it for purchase of machinery, tools, other licenses and so on. The authors of inventions also receive income from the revenues of license agreements.

10501

CSO: 2400/196



ASSOCIATED PRODUCTION BY AGRICULTURAL COOPERATIVES ENCOURAGED

Bratislava EKONOMIKA POLNOHOSPODARSTVA in Slovak No 2, 1983 pp 52-54

[Article by Eng Victor Mraz, Ministry of Agriculture and Food: "Correctly Oriented Associated Production Is Socially Desirable"]

[Text] Associated production has an important place in the activity of the predominant majority of agricultural enterprises, which look for ways (other than the agricultural production which constitutes their primary activity) for the most rational exploitation of free production capacities, technology, production facilities, means of transportation and their sources of raw materials. At the same time, the associated production of unified agricultural cooperatives (JRD) and supplementary activities of those possessed by the state is mainly aimed at support of development of agricultural production, and secondarily toward the solution of the needs of the other branches of the national economy.

The seasonal nature of work, especially in crop production, as well as an effective increase in value of the relative surplus of direct and embodied labor within main agricultural activity, determine, above all, the socioeconomic basis for associated production. Because of this, associated production is organized and formed mainly in areas with inferior conditions for agricultural production, in regions with shorter growing seasons, since it enables cooperatives and state enterprises to employ workers effectively during the whole year and, on the other hand, to keep a ready pool of labor for seasonal agriculture, which has a high demand for labor.

Associated production activity in JRD agrees with Decree No 122/1975 Code of Agricultural Cooperatives and Model Statutes of the JRD. According to them, associated production cannot be performed to the detriment of agricultural production, but, on the contrary, in order to assist its development. With state property, too, use of idle labor force and technology is organized in the form of complementary-supplementary activity.

In accordance with the fourth and fifth plenums of the CPCZ Central Committee and related sessions of the CPSL Central Committee, secondary production at the present time is preferentially oriented toward agriculture, upgrading agricultural products, manufacturing of small agricultural tools and, furthermore, toward the production of goods in short supply and toward development of paid services for citizens.



In accordance with the fourth and fifth plenums of the CPCZ Central Committee and related sessions of the CPSL Central Committee, secondary production at the present time is preferentially oriented toward agriculture, upgrading agricultural products, manufacturing of small agricultural tools and, furthermore, toward the production of goods in short supply and toward development of paid services for citizens.

Associated production organization and content are directed by the Principles of Procedures for Permission and Implementation of Associated Production in JRD sanctioned by Decree No 106/77 of the Presidium of the CSSR Republic and SSR Government No 267/77 published in the Bulletin of the SSR Ministry of Agriculture and Food, Article No 17/77. The related instructions and directives were published in the Bulletin of the SSR Ministry of Agriculture and Food, articles 9/81 and 24/81.

The aim of said principles and directives is toward normalization of conditions for organizing and developing associated production, to prevent negative phenomena and toward channeling this activity into support of social needs.

In its long-term development, associated production has developed mainly into a linkage with the needs of socialist agricultural enterprises; for example, auxiliary building and connected trade activities in construction of large-scale production structures and equipment and agricultural products and byproduct processing, mainly in bumper crop years. Intense development of industry has oriented it toward mass production and also manufacturing of some needed goods for agriculture became uneconomical for the concentrated mechanized and automated industry. This became one of the incentives for developing cooperation between industrial and agricultural enterprises. Simultaneously, the quantity of agricultural machinery increased, resulting in lower demand for direct labor and shortening time in agricultural production, while the regularity of biological processes which are the main subject of agricultural processes, remained. Providing agriculture with machinery for soil cultivation and mainly transportation means brought new technical problems as well as economic and social demands for year-round use and professional training of workers.

This very sketchy outline of development and gradual structural change of associated production, motivated by mutual interaction of economic needs mainly of JRD but also of state properties expresses a summary of suggestions and conditions for gradual formation of associated production to the present day.

Current orientation of JRD associated production concentrates on the following activities:

- processing of agricultural products;
- mining of minerals;
- ground work;
- wood processing;
- metal processing;
- plastic material goods;
- textile, leather and rubber production;
- manufacturing of small articles;

- construction activities;
- repair activities;
- other associated production;
- transportation.

The order of activities does not follow the share in the total volume of associated production. So far, processing of agricultural products has reached a relatively low proportion of total associated production (2.4 percent). In order to upgrade agricultural production, this activity is to be speeded up in the Seventh 5-Year Plan, also supported by regional bodies. It will primarily concern expansion of postharvest and processing of agricultural products for consumers, i.e., fruits, vegetables, potatoes, their storage, packaging and also direct supplying of the public with the above-mentioned products, mainly in outlying villages. This will also include facilities providing services to the public, for example, fruit-drying kilns, small bakeries, growers' distilleries, repair shops and similar things, which, according to the conclusions of the Sixth Plenum of the CPCZ Central Committee, will help to cover more completely the needs of the public and prevent spoilage of agricultural products.

In 1981, mining of raw materials represented 4.6 percent and ground work 7.1 percent of total volume. In the last 2 years, both activities recorded a decrease in output with regard to the development of capital investment and measures in the energy field.

Wood processing, metal processing and textile and manmade materials production represent more than 35 percent of the volume of associated production. Of this, metal processing and textile and manmade materials manufacturing have developed rapidly, more or less doubling their production. It is mainly a reciprocally profitable cooperative manufacturing where industrial enterprises are the final producers. Also readily available is a local labor force (mothers and children) and those who cannot be employed by industrial enterprise because of reduced work ability or old age.

To the above-mentioned activities can be added production of attractive hand-crafted regional articles which are much sought-after articles on the domestic market, but often, also, abroad--articles such as wood carvings, ceramics, basketry, embroideries and other such items which allow the full use of natural talent and acquired skills and experience often passed from one generation to another.

Development of building production has also progressed. In 1981, it reached its greatest share of associated production (23.5 percent). Repair activities reached 3.8 percent. Construction activities include self-help capital construction, building, mainly reconstructions, maintenance and auxiliary building activities which help speed up and lower the cost of construction as a whole.

In accordance with the measures taken in the field of energy aimed at savings of oil and other sources of energy, all agricultural organizations have limited their trucking for outsiders. This lowered productivity in transportation

substantially and in 1981 its share fell from 21.8 to 14.5 percent of total associated production in 1979. This trend also continued in 1982. The JRD replaced a substantial part of incomplete transportation tasks by metal processing, textile production, manufacturing of manmade materials and in wood processing.

This has led to an outstanding change within the structure of associated production, which has brought new demands and claims for new professions and qualifications within the composition of labor, for new work technology and especially material inventories. Even though preferential emphasis is placed on further processing of agricultural products, exploitation of local sources of raw materials and further development of cooperation among industrial enterprises, there remains the need for providing material inventories to be used mainly for the manufacture of small agricultural equipment and necessities as well as other short-supply articles toward which associated production can be oriented. In all directions of product orientation, there is a stress on social usefulness, an economically supported relationship with the basic activity of the enterprise, that is, crop and livestock production, and material economy (exploitation of local resources). Cooperation among respective manufacturing and supplying organizations in the machine, textile, tanning and chemical industries is inevitable.

These are the coordinating organizations for final production and are responsible to cover fully the material needs through their supplier-customer relationship, often also supplying equipment for the cooperating organization.

Manufacturing of the final product in the associated production of agricultural enterprises (especially machinery, parts, power installation, etc.) is clearly limited in the design and engineering, development and production technology equipment. Agricultural enterprises (except isolated cases) do not have and cannot have the necessary equipment at the required level of technological development, in order to deal with production programs for machinery manufacturing and design elements, nor other industrial production, and be able to sponsor the level of technological and safety parameters while maintaining required product profitability and total efficiency.

The basic output of JRD and state farms is agricultural production and from this aspect, it is possible to develop further activities within the scope of agricultural enterprise which would serve as the means of its economic support and further continuity.

Therefore, it is necessary to organize associated production according to current policies. In the machinery industry, as well as in other areas of traditionally industrial production, there should be developed reciprocally advantageous cooperative relationships between industrial and agricultural enterprises, while preserving the coordinating organization, material and technological responsibilities of the industrial organizations as regards final production and satisfaction of social needs.

Output from associated production represents a significant share of the total output of JRD. In 1981, it reached 15.2 percent substantially participating in the economical results of JRD. The registered number of its workers represented 6.8 percent of the total number of JRD workers. This number does not

signify exhaustion of all possibilities of the JRD as far as the potential work year. According to an approximate calculation of the used working time, which was based on statistical report Zem Pl-04 AGIS (Workers and Their remunerations in JRD), about 4,500-6,000 more full-time workers could be integrated in associated production during the nongrowing season. For this calculation, the hours worked by crop production workers were used in comparison with the hourly norm for the workweek, taking into consideration extended workdays during summer field work.

On the basis of these concepts, it is possible to augment the number of registered workers within associated production to the level of 9-10 percent of the total number of JRD workers and the share of associated production output to 18-20 percent of total JRD output. These resources exist not only during adverse conditions for agricultural production, but also in the lowlands, especially of the West Slovak Kraj, where associated production is insufficiently developed. Particularly in these regions there are conditions for development of desirable activity aimed at the processing of agricultural products (vegetables, fruit, factory-processed and special crops) their increased value, storage, packaging and direct shipment to consumers.

It is desirable to adopt a more active approach by the management of state farm properties whose mean share of production resulting from associated and supplementary production has extended to the total Slovakian level only at about 4 percent in recent years, which is about 27 percent of the JRD level. At the same time, it is also obvious that a significant part of state farm property has not exploited effectively the potential work hours during the nongrowing season, which then is projected into their economic results and retards the level of workers' pay as well as the entire economic development of state farm properties.

Examples of an active approach of the state farm management operating under preponderantly unfavorable conditions for agricultural production (state farms in Liptovský Mikuláš, Nitrianske Pravno, Cadca, Stakcín and others) prove that well organized associated production favorably influences the reproductive process and economy of agricultural production. It also eliminated the unfavorable economic results in agricultural production, especially in climatically extreme years.

Equally positive examples can be found in many agricultural cooperatives in the piedmont and mountain areas. There, consistent use of the work year and a healthy spirit of enterprise constitute a catalyst for development of agricultural production and its economic stability. Also constituting proof are examples of the lasting districtwide economical stability of agricultural enterprises (Prievidza, Stará Ľubovňa, Trenčín and others) in which associated production represents a significant portion of production and constitutes an active factor in the economic development of enterprises.

Associated production in such an organizational and economic position fulfills the function of a stabilizer in the income situation of agricultural enterprises and plays a significant role in solving interregional income differences and use of available basic resources.



From the above account, it follows that the use of the free work year and technology in agricultural enterprises during the nongrowing season is socially justified and has an effect on the national economy. This constitutes an approach toward a better exploitation of resources and increased economy in the production process.

Structural changes in associated production produced by the contemporary needs of the national economy make it necessary to adhere consistently to current associated production procedure policies in granting permission and implementing associated production. Infringement of these policies should not be permitted, consistent control should remove eventual shortcomings and support those trends helpful in speeding up development of agriculture and satisfying public needs.

12252

CSO: 2400/164

BRIEFS

CSSR-VIETNAM ELECTRONICS DEAL--A contract between Czechoslovakia and Vietnam which provides for delivery of Czechoslovak machinery and technological documentation to Ho Chi Minh City was signed at Tesla enterprise in Jihlava on 5 April 1983. Vietnam in turn will produce electronic components for Tesla, which will be shipped to the CSSR. [Prague LIDOVA DEMOKRACIE in Czech 8 Apr 83 p 4]

CSO: 2400/230

FRUIT, VEGETABLE SHORTAGE, LOWER QUALITY ITEMS REPORTED

Bonn DIE WELT in German 18 Mar 83 p 5

[Report by Hans-R. Karutz, Leipzig: "Fresh Vegetable and Citrus Fruit Shortages in GDR--Supply Situation Worse Than in Previous Years"]

[Text] One can catch sight of apples in the fruit stand--but the paradisiacal conditions which have been promised for the 34 years of GDR rule are still being awaited. In view of the compulsory economies being announced daily, the residents of Leipzig are already glad that supplies are coming in better than in the period of the 1982 autumn fairs, although--as the residents say--on the whole they have reached only "one or two steps" below the level of previous years on the average.

Lacking above all are fresh vegetables, tropical and citrus fruits, certain brands of cigarettes, body spray, white wine, and sometimes beer, with imported cheese and butter also meriting such a designation. In the shops, little cardboard signs with the notice "take only two pieces" occasionally signal just what is in the shortest supply--which in turn varies from city to city, bezirk to bezirk.

Subsequent to a stabilizing of the supply situation in the GDR due to the "Mielke" decision of 20 October 1982 by the SED Politburo, which was passed at the request of the worried GDR head of security, and the consequent food purchases in the West before the Christmas season for about 200 to 300 million marks, now Western experts are again looking at future prospects with concern. "In the spring, greater problems may develop once more," they conjecture. Because the stocks laid in by the end of 1982 are running out. And the foreign-exchange reserves of the German Foreign Trade Bank in East Berlin for such fire-fighting actions continue to be quite limited.

According to the most recent calculations of the Federal Government which have been made public here in Leipzig, the total indebtedness of the GDR with Western banks amounts to \$8.9 billion. Facing this is a credit balance of about \$1.4 billion. "In 1983 as well, the GDR will seek to pay off its debts on the shoulders of the public, by severely limiting all consumer-goods imports," predicts an expert from the FRG.

The creeping price increases in the GDR likewise are contributing to a shoulder-shrugging gloominess on the part of many citizens, whose real income has experienced practically no rise for years now. Because of the silent elimination of

reasonably priced lines of goods, the GDR citizens must work longer than before to purchase a product, according to the principle of the continually stretched-up end of the sausage.

"Vodka, for example, now has an alcohol content of only 30 percent, but it costs 2 marks more per bottle," a Leipzig resident describes one such method of raising prices without having a rise in value. The GDR has even managed to produce so-called "milk bars" as a substitute for chocolate. The Thueringer Chocolate Works VEB in Saalfeld is mixing its "Venus" brand, which costs 2 marks, out of 37 percent fat, 48 percent carbohydrates, 10 percent albumin, and zero percent cocoa. This raw material has become too expensive for East Berlin on the world market.

Surplus purchasing power is being siphoned off by the State also in its "top-quality" shops. A box of Western "Mozart kugels" [chocolate-covered marzipan]--worth at most 5 to 6 marks in the FRG--costs 28 D-marks here. Whoever wants to enjoy the pleasures of electronics must spend 750 marks for the simplest Walkman set of the Japanese Sanyo make. In the deluxe model and with stereo effects, this costs as much as 990 marks--a month's gross salary for a well-paid GDR citizen.

12114

CSO: 2300/177



## HUNGARY

### REFORMER CRITICAL OF CURRENT REFORM MEASURES

Budapest MOZGO VILAG in Hungarian 2 Feb 83 pp 8-22

[Interview with Marton Tardos, director of the research program Organizational System of Our Economy of the National Medium Research and Development Plan, by Janos Matyas Kovacs: "Reform Here and Now?" prepared in the summer of 1982.]

[Text] Marton Tardos is one of the few theoretical economists whom we can call with tranquil spirit a professional reformer. His present reform concept, which can be conceived of as a fulfillment of his earlier partial reform proposals, is at least his fourth approach if we count his participation in preparation of the 1968 reform. His study, which appeared in the June issue of KOZGAZDASAGI SZEMLE and which serves as a pretext for this interview, received a serious response in professional circles and aroused heated debates (see "What Shall We Do in Defense of Our Achievements?" HETI VILAGGAZDASAG, 2 Oct 82, and the debate which followed).

[Question] One can (and should) attribute a magical effect to the expressions designating a change of direction in socialist economic policy. In your latest reform proposal article you speak of "developing the guidance and organizational system." This is probably a formulation to avoid risk. But in one place in the text you speak of "strengthening the spirit of the new mechanism." This is a sort of return which, knowing our relationships, may be in a strange way a stronger requirement than further development. In the debates surrounding the study we find such expressions as "a new reform," "a second reform step" and "a reform of the reform." To go immediately to the heart of the matter, is this proposal continuity or discontinuity?

[Answer] Let us separate the real and the tactical part of the question. It is well known that the reform did not develop in a straight line from the beginnings of 1964-66 to the present. For the sake of simplicity I customarily assign periods to the reform process--after the flowering of the mid-1960's it reached a zenith in the first half of 1968. Between 1968 and 1972 we cannot say that there was a break in the upward curve, but it

already had lost some impetus. This was bad enough, because a fleeting 8-month upswing after the official start is not enough for a trend which was revolutionary in many respects, for every introduction necessarily involves compromises and weak points and requires later corrections.

Even after the first months the stagnation of reform thought and practice placed difficulties in the path of such an accommodation. And beginning in 1972, a real retreat took place. This lasted for at least 6 years and caused very serious harm, because at the very time when there would have been a need for adaptability in the reform measures there was a paralysis. Thus the reform economy reacted to the increasing difficulties much worse than it should have. Indeed, this paralysis of the original reform had the effect that economic policy responded badly to the challenges (for example, standard of living policy and increase in the wages of workers in large factories) because the leadership moved on a path which was constrained in advance as a result of the stifling of the reform. The indebtedness, at least the magnitude of it, can be attributed to this.

Then, in 1978, the reform was put on the agenda again, virtually unexpectedly. There was really no other reason for this reform except that tensions in our external economic contacts forced the reform idea to come to the surface again. In addition, it is very difficult to decide how we should evaluate the period which has elapsed from the turn of 1978-79 to the present....

[Question] Do you regard the December 1978 Central Committee resolution as the starting point here?

[Answer] Yes, and I can tie this to my personal experience. My "author's" cooperation with Rezso Nyers began in the middle of 1977. At that time we wrote an article ("The Enterprises before and after the Reform," VALOSAG No 3, 1981) which we published in Mexico at the beginning of 1978 at a conference. Conditions were not ripe even then for domestic publication. Instead of bringing up the more profound problems holding back the unfolding of the reform, we prepared a new article entitled "What Kind of Economic Development Strategy Should We Choose?" which did appear (GAZDASAG No 1, 1979). We did not bring up the ideological questions of decentralization in this. What is interesting in all this is that by the time we had written our second study the ideas of the first had by and large become acceptable. But still it can be said that at that time only our article referred back to the original reform resolutions. The Central Committee decision of 1978 to which you referred cited only the 1977 structure policy resolution. And this was a paradox because the latter, in my opinion, reflected incorrect centralization goals which later had to be toned down in practice.

But what is certain is that since 1979 the economic leadership has recognized that there had to be a change. The only question is whether that reform concept which I, among others, am working out can now be a continuation of the 3 years of reform boom following the recentralization, which lasted until 1978.

## Reform Boom or a Degradation of the Reform

[Question] Much depends on the answer to this question: does the process which you have called a reform boom keep alive or recall or does it degrade the cause of the original reform? If this is a return to the beginning, perhaps there is no need to draw a sharp line between it and the planned reform proposals.

[Answer] The concepts here should be finely shaded. It is a relatively successful element of the economic policy since 1979 that it has stopped the indebtedness process. But basically this was achieved by reducing the standard of living or forcing it to stagnate and by a strong and continual restraint on investment. It is certainly a weak point of this trend that it could not start a growth which would increase export and the replacement of import, which the development of production and not the reduction in consumption would aid in restoring the balance.

[Question] I was asking about changes in the economic mechanism. What you have said is rather an opinion about current economic policy....

[Answer] It is no accident that I began with this. The fact that this is all one can say about the economic achievements of the period since 1979 is not only the result of objective conditions but also evidence of the deficiencies of economic policy pertaining to the progress of the reform. In a strange way an unambiguous market-party rhetoric is developing in government circles. The actual principles of economic guidance are formulated in a market-party way. Think only of the official justification for the necessity of a competitive price system or normative financial regulation....

[Question] Could we not list the slogans of entrepreneurship or the new growth course here? It is true that the theoretical roots of the latter might be sought in the principles of economic policy formulated in the middle 1970's by the leadership of the former Ministry of Heavy Industry, that is, programs of structural transformation based on concepts of central industrial development and concentrated in large organizations. These had a very great effect on the structure resolution cited earlier....

[Answer] I regard the rediscovery of the idea of entrepreneurship and the initiation of a reorganization of industrial guidance to be positive in the same way as the foregoing. Rezsó Nyers and I also used the expression "new growth course" in our article about possible economic strategies. And we also touched on a more consistent realization of mechanism reform when we thought to propose an economic policy of an export offensive and not one limiting consumption. Well, the leadership did not accept this. There was no official answer to our study, although it might be regarded as a recognition that a leading functionary, in his own article and with the strength of a footnote, set himself apart from us, by simply declaring that the certain import-increasing and quality-damaging effect of growth is swifter than planned.

Of course, this could be true, if we presume that everything is unchanged. But we also put forward an interdependent proposal which prescribed a change

in the development of the basic economic parameters. Even today the usual interpretation of the new growth course means slower growth or stagnation of internal use. What they are not talking about--to put it simply--is that we must produce with less expenditure and that the surplus can be sold on the world market or turned to the production of products replacing import.

[Question] Your strategy study which appeared in 1979, outlining a dynamic economic policy based on evolutionary developments and open to the capitalist market, also presents many elements of your present reform concept. Nevertheless, this proposal, a good bit more radical than what went before, appeared 3 years ago. This fact may betray much about your opinion concerning the adjustments in the mechanism of the recent past.

[Answer] Again I must begin by noting that it is very difficult to evaluate these steps in combination. There are many good intentions, but there are dubious elements in them too. The dubious elements can be classified in two ways. On the one hand, the whole can be viewed as a deliberate realization of the slogans of market-oriented changes, with obstacles being thrown in the path of actual development. On the other hand, one could say that the economic leadership has fallen into a trap, a trap they set themselves. Naturally it is difficult to make a distinction between these two views, but I rather favor the latter explanation.

This can be clearly traced in the example of the price system. The ideology of the competitive price system put too high a standard before the enterprises; if the imagined world market simulation system had really been realized, then about half the products and the enterprises would become deficit ones. The trap is this: the unrealistically high demands made on the enterprises make central intervention continually necessary.

A system of concessions and supports based on exceptional interventions has developed even before actual exceptions could be established. The new price system, called upon to eliminate the regulator, has reinstated the old processes with a new choreography. Announcing the need for normative financial regulation, they have created a system which can be made to operate only by getting around the principle of normative regulation. Let me note here that in opposition to many I do not see the problem primarily in the simulated nature of the price system but rather in the selection of a bad simulation method.

[Question] Do you consider the "trap" simile applicable to the other goals which you have called market-party ones?

[Answer] I could say something similar about the undertakings, because one should expect bureaucratic behavior rather than entrepreneurial behavior from an undertaking overseen in an hierarchic way, in a strongly bound financial situation, making constant deals with the superiors, even if, as now, they belong under a combined ministry of industry. The economic leadership did not wander into these traps because they did not notice them but because they saw no other way out.



To sum up what has been said, I regard the resolution of the end of 1978 as a caesura, but I do not consider the series of decisions following as going beyond the reform resolutions of 1966-68. This is the essential thing. The situation of the reform was better after 1968 than it was between 1979 and 1981, although, now, at least, the idea of competition is more sharply formulated than ever before and the world market appears as a requirement. But then there was something positive which does not exist today; a big step was taken to replace the old guidance system and it promised further big steps. Now the promise is fading, and unfavorable external conditions are burdening the situation of the reform.

[Question] Your opinion seems to be very much a "two-front" one. In a word, unlike many other "reform-party" economists, you do not regard the modifications in the mechanism carried out at the end of the 1970's to be, ultimately, a degradation of the reform, a discrediting of the reform aspirations?

[Answer] I feel it is important to pose this question, but I do not feel these measures primarily worthy of the charge of degradation. The changes after 1972, which maintained the forms of the reform while filling them with a contrary content, really discredited the reform. Insofar as such elements remained after 1979 they continue to discredit the reform policy. But even if nothing positive happened in the 1979-81 period, as compared to 1972-78, the fact that we can again speak of these questions openly is a favorable phenomenon.

[Question] Knowing your reform package plan, am I to understand that you welcome the decisions of the past few years because they prove, by their own fate, that an ill-matched adjustment attempt can be accompanied by serious failures, thus calling attention to the need for "general reform"?

[Answer] Since 1979 did not entirely neutralize effects of the 1972 turn, I feel it justified that there be an unambiguous change sometime in the 1980's. From this viewpoint your interpretation is correct. I am thinking of a change which openly returns to the 1966-68 resolutions, and this also means that where necessary it will go beyond them. In this sense I consider the expressions "reform of the reform" or "second reform step" substantially justified.

#### Reform and/or Consolidation

[Question] When you speak of a caesura, you surely feel that announcing a reform course could win social trust and understanding. By exploiting the psychological advantages in the principle of "pouring clean water in the glass" the reform might win the mass support which was missing at the end of the 1960's, also creating guarantees for more consistent realization in the near future. Let us presume for the moment that the reform could really grow into a social movement. My question is, will the reform program worked out by you be capable of realizing the promise of such an imagined movement? What am I thinking of? Three years have elapsed between the publication of your ideas on economic strategy and the compilation of the

present reform concept; as I see it, the requirement of mechanism or institutional changes has taken absolute first place in your thinking. According to your present starting point, a sharpening of economic tensions is to be expected, perhaps accompanied by unfavorable social consequences. In this sense one might also expect from an early introduction of your reform proposal the prevention of a possible crisis.

Can the reform really prevent a crisis? And conversely, can a liberal-type reform do any good if it is introduced in a crisis situation? What do you say to the oft-voiced objection that first there must be consolidation, even with severe restriction, and then if it succeeds and we can get our breath, we can begin to think about getting on with the reform?

[Answer] Naturally it would be better to introduce a reform in a state of relative prosperity; from this viewpoint the 1966-68 period was much more favorable than the present one. Policy at that time rather awkwardly overemphasized this fact, saying that with wise foresight we were taking those steps which we might be forced to take later. This opened the way for the opponents of the reform, who at that time could call attention to the development of the socialist countries not taking the path of the Hungarian reform.

Naturally the reform would do better if it did not have to be realized under the present circumstances. But can we attain to the possibility of introducing the reform without a crisis situation, without the compelling force of politics? All the historical examples prove the contrary. If the pressure for change had been stronger, the recentralization of 1972 might not have taken place either. This pressure became greater by 1979 and it is even stronger now. So, in a paradoxical way, the path for reform is opened if there is trouble, but the greater the trouble the more difficult it is to realize the reform successfully. One can also imagine that a crisis situation will have created such tensions that there is no room for reform (see import liberalization) or for bearing the burdens of the unfavorable social side effects to be expected....

[Question] So should we reform or not? Can this reform paradox be resolved? What does the "coexistence" of the partial liberalization measures after 1978 and the increasing central operational intervention which characterize the restrictive economic policy prove?

[Answer] I feel that the reform can help a country escape this danger without an acute crisis. If there is no reform, then perhaps the crisis can be put off a bit, but then it is all the more sure that an acute crisis will occur. One cannot ride out the crisis itself without reform, if we do not want to shift the ratio between the carrot and the stick, the two important tools for maintaining social order and tranquility, to the side of the stick. For my part I support from my heart the intention of the government to maintain the ratios which have developed here, to maintain social order on the basis of an agreement with the masses. Of course the reform does not promise a certain solution either, but it offers the best chance of a solution.

[Question] Let us presume that the reform gets started. When I ask about the realization of the promises I am also asking at what distance you expect significant success in avoiding a crisis.

[Answer] The prospects here are not clear. We should try to think this through better. (I wrote about several aspects of the problem in the debate-initiating article in HETI VILAGGAZDASAG.) The "reform of the reform" I consider to be a relatively long-range conception, which we could get accepted in a relatively brief time. Changing the institutional system of guidance, the method of allocating capital or the trade system, together with much besides, could bring results only 2-3 years after introducing the reform and so they are not suitable for averting a crisis.

Some in official circles now put the beginning of more comprehensive reforms in the mid-1980's at the earliest, while very strong directive interventions take place in the daily practice of the economy to ward off the crisis. That is, there is not the positive link which there was in 1966-68 between liberalization and the preparations for market-conforming regulation on the one hand and the everyday of what was still a plan-directed economic system on the other. At that time it was clear to the economic leaders that their successes did not depend on what they produced in the then-current guidance system but rather on the extent to which they became capable of working under the new system. Today, however, the guarantee of survival is not fitting in with the market requirements but rather with accommodation to powerful central desires.

[Question] So the present and the "beautiful future" are quite a distance from one another. But how does all this connect to the swift results to be expected from the reform?

[Answer] It was not possible to do anything last year amidst the international payments problems which had piled up. If we succeed in overcoming these and winning for ourselves greater freedom of movement, then we should find those elements which might improve economic achievements concretely. The basic question here is enterprise independence: on the one hand the large enterprises are limited most by the rigidities of wage regulation; on the other hand these same enterprises must be made to see that it is to their advantage to release capacity which is not profitable enough to small undertakings or to their own daughter enterprises.

These undertakings must create real business, because the political slogan of small undertakings, as regards actual management, is more a hoax than a reality. If it is not to be a hoax, there must be new capital with which to found small and medium enterprises. Today this cannot be imagined otherwise than by regrouping the existing capital, and this cannot be done by command. Instead--I repeat--the large enterprises must be encouraged by letting them profit from handing over a part of their capacity (tax reductions, profit shares, etc).

[Question] So in answer to the question of consolidation and/or reform you would stress these two motifs as the minimal program for transition to reform?

[Answer] Yes, the formulation of this short-term program should harmonize with the announcement of a general reform plan for 1985 or thereafter, which would contain the goal of transforming trade, the bank system, capital allocation, enterprise supervision, etc.

Of course, a policy of preventing crisis has a number of unpleasant consequences. I am in the habit of stressing two. One is the acceleration of inflation. Of course, the price increases need not be greater than they were in 1979-80, indeed need not reach that level, but qualitatively they cannot be as they were when they reached 9 percent, as a result of defined central measures and not as a result of market changes. The other consequence is the danger of unemployment which, considering the present demand for manpower, does not threaten to become general. But one can imagine that there will be strata or groups which will not find work and this problem cannot be taken care of simply. For the time being there is a political consensus that an enterprise, if it is in trouble, can release workers, and the state will assume responsibility for their care. But there is great confusion in how this is to be done.

[Question] Undertaking what you call the "unpleasant consequences" is obviously, in your opinion, equivalent to choosing the lesser evil....

[Answer] Yes, I regard these unfortunate phenomena as sacrifices made to preserve and increase the general standard of living. But it is not certain that a leading economic policymaker would judge the situation similarly. If these unfortunate side effects predicted by me do occur, the opponents of reform will exploit them and attack the political leadership for forcing the country into this reform. In this way--trusting in chance and the tolerance of society--waiting may seem less risky to them. And chance may really come to their aid--there may be a few years of drought or flood in the midst of the decentralization policy, recession on the world market and trade discrimination. With chances turned around, even a policy which seems unsuccessful may be "judged a survival" one. As a reform economist representing the presumed social interest, I must admit that the economic policymakers sympathetic to the reform must be supported. For this reason it is not useful to offer the opposing camp too great a target to attack, because if the former fall the cause of reform will be in a worse position.

[Question] This is only one thing the reformers might do. The other, which I think you among others are doing, is quietly to alarm the economic leadership by saying there could be terrible trouble here if.... So the reform economists have some interest in painting conditions in darker colors.

[Answer] Why? Has not the situation deteriorated? Indeed, one frequently hears these days that things are so bad that one cannot make reforms.

[Answer] In my opinion it will take 2 years to prove it, after introduction. In these 2 years it must produce significant results, in the spirit of a



later, profound reform, from which we can expect concrete successes with the passage of a longer time.

[Question] We have not yet looked at the economic side of this, in a stricter sense. So far you have talked primarily about the social tensions which will arise. But from what will there be, for example, a capitalist export increment?

[Answer] In the first place we must get out of the payments crisis, which I never counted on (credit difficulties in the wake of the Polish turn, the withdrawal of the Arab oil money, etc). Of course, the fact that chance variations cause us such problems is one of the tragic consequences of the 1972 break in the reform.

[Question] Let me put the payments problems on hold for the time being and return to the question of the self-justification of the reform. How can some liberalization of wage controls and undertakings lead to a swift upturn in a short time? What guarantees do you see for this?

[Answer] Well...weak ones. There is no guarantee, but still I say that with any other way the possibilities are even less rosy. Either we try to get ahead with reform, or we rush into a series of reductions in the standard of living, accepting the open political dissatisfaction accompanying them.

#### The Challenge of Small Undertakings

[Question] If we accept that there is no way outside of the reform the question still remains how we should get started on it. You have given two initial steps. The economic leadership has given a few "drops" with decisions related to this, including the decision to embrace private and small community undertakings. But this latter reform motif does not seem to be much emphasized by you.

[Answer] Thus far I have stressed those elements where, in my opinion, a significant turn could be made in a short time. In encouraging the private economy one could also imagine a change more striking than the present one. But this is a very complicated affair and I have no fully developed opinion about it. It is well known that one of the pillars of success in the Hungarian economy in the past decade has been the second economy, not only the legal part of it but also the illegal, untaxed part of it, the part which is combined with a holding back of performance in the first economy. The initiative to encourage small private undertakings is aimed primarily at bringing the existing production and service volume into the channels of legal management. It is a condition for this that the small entrepreneur be capable of maintaining his income at a level high enough to make the change a paying one for him.

[Question] That is precisely the question, whether it is worth making this "sacrifice" for legality.

[Answer] Yes, I would regard it as a great achievement if a large part of the "black" and "gray" economic forms today became legal, with a modest increase in the scale of their activities. But I would be afraid of a drastic reduction in the illegal second economy in the above sense. I do not believe that criminal proceedings and liberalization can be combined with one another in a regular way.

[Question] In connection with small undertakings, let us take a moment to evaluate the general reform concept. It is not by chance that I insist on your position regarding emphasis. I feel that in your thinking the large enterprises of the socialist sector have preserved that theoretical significance which they had even at the time of the 1968 reform. I feel a continuity here. And what you said above about the transition to reform also suggests to me a large-enterprise-centered position. So you may welcome the small undertakings primarily because they will "infect" the large enterprises. Am I right?

[Answer] Yes.

[Question] So you do not expect much of a contribution to economic consolidation by strengthening the small undertakings?

[Answer] No, I expect much from the small undertakings. Let us look first at the small cooperative and state enterprises. I see great possibilities in them, less in all the others. Without underestimating the achievements of the second economy, I believe that after the upswing in the activities belonging here in the 1970's, they can represent less of a direct supplementary resource now, compared to the 1983 level.

[Question] Because of the brakes holding back their development or in any case?

[Answer] I think not, because even if we publicly propose, I think correctly, to do more and "courageously use" the material of the state to a greater degree, it will still be quite an achievement if a legalized private small undertaking stays competitive and grows to a modest degree....

[Question] ...and if we presume the economic environment for small undertakings to be what it is now--brakes on capital concentration; obstacles in regard to credit, material supply, foreign trade....

[Answer] I believe that this environment should be liberalized. It is not necessary to acquire an injection molding machine from some foreign grandma. Let them have state credit, let us try to moderate the semilegal elements. But what can one expect from all this? Either a growth in which the semilegal elements get rich, resulting in an open income differentiation which seems unimaginable today, or a less obvious expansion of these activities, decreasing the ratio of the semilegal elements. The latter would be a great benefit to the national economy, presuming that the efficiency of first economy improves substantially, that is, that it manage more thriftily

with all those resources which the second economy would no longer by siphoning off from it.

[Question] Obviously you do not trust in the possibility of repeating the classical capitalist success story. I am thinking of how someone starts today with a second-hand machine and tomorrow is a multimillionaire. Or let us take, for example, the chances of a small family undertaking integrated into foreign trade. Such hopes are alive in some.

[Answer] I do not doubt that one can make a great success of a small undertaking. I only say that a large part of them will not be working on a really private basis. Of course, small socialist undertakings may link up with individual or family undertakings, but I do not believe that a really capitalist undertaking will get ahead here.

[Question] It is not clear from your answer whether you would not like this or simply do not believe it possible?

[Answer] It is definitely my opinion that once a country has carried out nationalization, independent of what it wants to do, it cannot reprivatize on a national scale, because in every political situation society would demand strong restrictions on capital accumulation and inheritance. This is not contrary to my belief that, compared to the present situation, there should be a substantial moderation of the taxes burdening private small undertakings. They should be permitted to make a greater income legally.

[Question] Let us now look at the whole matter from the viewpoint of the history or reform theory. From the viewpoint of the ideal of a socialist market economy, do you consider liberalization of the socialist sector or of the private communal sector to be more important?

[Answer] I take seriously the thesis of Rezso Nyers that tri-sectorism is the basic requirement of the Hungarian economic reform. I do not consider it desirable to restrict private initiative. I am thinking of many more private small undertakings than there are now. But still, this is not a crucial element in my strategic thinking, and not for ideological reasons.

Nor can one hardly imagine that there may be more small undertakings and that these will make legally as much or more as some have made legally and illegally up to now. Indeed, if you offered this possibility to a "maszek" [private sector person] today I would not wonder at his rejection of it, as an offer which he certainly could not count on for long.

[Question] It is interesting that you put such great emphasis on limiting taxation. Why not, for example, ease the proscriptions holding back concentration first?

[Answer] I also think that one could broaden the legally permissible size of undertakings, but it would be necessary to authorize very significant

incomes if these were to expand legally. Today these businesses are profitable primarily as a result of their semilegal character....

[Question] ...or rather because, as you yourself write somewhere, there is no real competition in this sector as a result of the administrative restrictions.

[Answer] Yes. But, returning to getting around the laws, this is a bad thing. I feel morality to be important, for other reasons too. I consider the wage differences between the first and second economies to have a socially braking effect. What I expect from the legalization of the second economy is not primarily, and I believe that I am now really answering a question you put earlier, that it will produce substantially more than up to now; rather I expect that it will start changes in the first economy in the wake of which it will be truly capable of extra performance.

#### The Reform Movement: Interests and Political Models

[Question] If I had to make a prediction I would see, in principle, greater scope for the development of a second economy impregnated by legal, possibly self-administering, elements. But now I would like to know your opinion in another interdependency about the relationship of the reform and the small undertakings. There is necessarily a demand among reform economists that the processes of liberalization be made irreversible, insofar as possible. So perhaps the question is not superfluous: is the development of the small undertakings (not necessarily private ones) the most suitable means to achieve this end, especially since the reformers may have had ample experience of failure in reforming the large enterprises?

[Answer] I regard social guarantees for the cause of the reform a very important question. I count it the greatest weakness of the 1968 mechanism reform that it could not get a social movement behind it. From the viewpoint of the stability of the reform it could mean a guarantee if those directly interested were to organize into a conscious group. This might include those who saw, on the basis of enterprise independence, broader possibilities for their self-realization activities (those in guidance and production), in both the large enterprise and small undertaking spheres.

[Question] Finally, in whom do you see potential allies, for you have just been talking about the social tensions that might be produced by a new reform?

[Answer] The state and cooperative enterprises might be more structured than at present, and there would be a need for greater interest and income differentiation within them. If the reform could guarantee that the plants, shops and planning sections could participate with creative imagination in the operation of the socialist enterprises and they they would be honored appropriately, then those who had greater scope for self-fulfillment in this way might be recruited as supporters for this policy.



[Question] This sounds a little abstract. Can you imagine all these interests without institutional formulation and representation? What organizations will represent these interests, mute conflicts of interest, come to compromises and create a consensus? The present ones?

[Answer] In my opinion the trade unions and various cooperatives provide, in principle, a suitable framework for the expression and defense of partial interests. I also consider it necessary to create an interest representation organization for managers. Naturally, I would be happy to see the development of other organizations too.

[Question] I believe we have touched on a key question. I believe it is a commonplace in historical studies of the reform that one should look in the initial conditions of the system of economic and political institutions for those hindering factors which precipitated the later reversal of the reform.

[Answer] I agree. But this is not yet a commonplace.

[Question] At any rate, you put forward in your reform proposal a thesis of--let us call it--the "economic restraint" of politics, at least in the form of saying that the party organizations, primarily at the lower levels, should moderate their direct economic intervention. This is not new, it was put in words at a semiofficial slogan in 1968. Without playing down the importance of this problem, let us now deal with other components of the political structure.

In my opinion we find in your proposal a mixture of political models, the effective cooperation of which is at least dubious. Self-administration or managerial (technocratic) guidance with a trade union counterpole--these two models, if clearly separated, I can follow. But what are we to do with the participation of a supervisory committee (of the Mitbestimmung type) or the idea of shared ownership, which appear here and there? Should I link them to self-administration: In light of Western debates concerning participation, it does not seem that adapting them to the trade union system would be free of difficulty.

[Answer] I consider the two basic types to be the cooperative or self-administrative system and a method of guiding state enterprises where several organizations distinct from the state administration take care of assets ownership (more understandably, capital ownership) rights. In reality, of course, these pure forms cannot come into being. In practice the elements of self-administration frequently serve manipulated goals, although the self-administration system itself is feasible. In my opinion, however, it is primarily a formulation of capital ownership interests and a separation of them from the hierarchy of state administration that is suitable for demonstrating substantially better results than at present, and that is why I recommend this.

[Question] Can all this be combined with the self-administration model?

[Answer] No, that would be a model where the interest differentiation we are talking about would not be formulated. Cooperatives and the Yugoslav self-management enterprises do work, so in the case of some enterprises we might experiment with a transition to self-administration for the purpose of increasing efficiency. But it seems probable that for the great majority of state enterprises managerial guidance will remain and strengthen, accompanied by increased trade union interest protection and worker participation. It is true that participation also has debatable elements, as opposed to more open forms of interest conflict. But I consider it a third-rank question--whether participation gets separated from interest protection--if there is a capital ownership organization and a trade union defending the interests of the workers.

[Question] What sort of historical experiences support the expectation that the institutions you have mentioned are really capable of cooperation?

[Answer] Capitalist, state and cooperative property can work together very well in a capitalist mixed economy. I see no reason to presume that this would not succeed in a socialist economy.

[Question] I repeat that building in the self-administration system could cause the most serious accommodation problems.

[Answer] If we equate self-administration with cooperative practice then this is not likely. There are such enterprises everywhere and they are rather successful, although their income distribution practices not rarely deviate from those of capitalist or state enterprises. What could cause confusion is adopting the ideology of Yugoslav self-management and saying that all social property should have a self-management character. Then we would have to end direct state guidance even in areas outside the competitive sphere, as they have done in Yugoslavia.

[Question] Can it not be regarded as a phenomenon alien to the system to let self-administration infiltrate large industry, which has managerial guidance (in the way you recommend) and where enterprise sections take the form of associative undertakings, something which figures among your proposals?

[Answer] In my opinion a certain degree of independence for some enterprise sections would lead to success in many places. This might be done by increasing the authority of the plant leader or by means of agreements between enterprise leadership and employees. But these would be concrete agreements and this does not mean converting the entire enterprise into a cooperative.

[Question] It is something said in favor of self-administration that it could be a catalyst or framework for support from below for a new reform initiated from above, that it could play an important role in making the reform irreversible.

[Answer] I have tried to answer this argument in my proposal. Briefly, these worker self-management systems are generally born in a revolutionary situation; they fill an empty space left after the collapse of the old institutions of the state. As long as the revolutionary situation persists, self-administration can be very effective guidance structure. The question, however, is whether under tranquil conditions the lack of interest of the workers does not change the system into an empty form. The Yugoslav case is similar, with this difference; that there, in the absence of a revolutionary situation, they had to invent a viable socialist model under special political conditions, one which would make them different from the other socialist countries.

[Question] Isn't this too summary a statement?

[Answer] Do not misunderstand me, I am sympathetic to the idea of self-administration. My objections are not ideological but practical. People back self-administration in a general political-crisis situation. I am not trying to seek a solution in such a situation. I am speculating on just the opposite. I would like to aid management reforms which will make it easier for the economic leadership to prevent a crisis.

#### Reform--From Above and From Below

[Question] But the idea of self-administration and participation, the concept of reform as a social movement, if not entirely new for you is receiving greater scope in your thinking in recent years, if we look back over the past 15 years. Is there some special reason for this?

[Answer] I started by affirming the original model of socialism; then, recognizing its weakness, I became a reformer, in the 1968 sense, a believer in reform from above. I believed that an enlightened center would be capable of giving up a significant part of economic power.

[Question] You still believe that, only now you are seeking guarantees for it....

[Answer] Yes. In 1968 I did not regard the conservatism of the power structures to be as strong as I do now. In the meantime, however, I discovered that those elements which would not listen to enlightened reason were not accidental and were not so weak. So a counterpole had to be found. Reform from above and pressure from below, demanding changes, presume one another. I have remained a reformer in the sense that I consider radical solutions dangerous and--regarding nationalization as an accomplished fact--no solution. In the meantime I am seeking an alliance between reform from above and the strata which would support it.

[Question] Are you not a bit of a fatalist in this matter? Does time really work for reform? Do you feel that it will be increasingly recognized that "there is nothing for it but to proceed" on the path of reforms? Does your optimism extend beyond our borders also?

[Answer] I am not thinking about this. In my opinion the idea and practice of nationalization will appear in many new areas around the world with their own unique requirements, among others with a neglect of customer interests. But where it appears, it will bring into being those forces which will work to weaken excessive central guidance. But I never thought that a profound reform must necessarily take place within a foreseeable time nor that if it should be victorious, then it could not be reversed.

[Question] Still, I consider odd the late appearance of the idea of a movement upholding and guaranteeing the reform. These ideas had appeared already in the late 1960's and early 1970's in Hungarian Marxist thinking. For example, the observations of Andras Hegedus criticizing self-management and the ideas of "humanization" connected with ownership and the demand for social rule over administration strongly harmonize with the essential aspects of your present reform conception. And the reform initiative of 1972 based on a distinction between the competitive and noncompetitive spheres appeared almost simultaneously with a study of Hegedus which similarly separated management systems.

[Answer] I could thank many for my present views. First of all Gyorgy Peter (my father-in-law), the first and most original Hungarian socialist economist-reformer. We came to very similar ideas essentially at the same time as Andras Hegedus. I believe that for both of us the starting point was experiences connected with the introduction of the reform. Let me stress two motifs in this connection. One was the shocking experience that those whom I regarded as interested in the cause of reform reacted rather apathetically to the forcing back of the reform after 1972; even the upper managerial stratum became disinterested. This was true of the middle stratum from the beginning, and the broad masses of workers tended to see in the whole thing a sort of "upper-class trick." The recognition of this led to the conclusion that the reform policy had missed a great opportunity when it did not try to find potential supporters. In the second place, it was thought-provoking that a trend which demanded social changes appeared and awaited them from above. I had to clarify my relationship to the representatives of this trend, my friends and colleagues.

[Question] A last question in regard to political institutions for reform. Your proposal involves a basic reorganization of economic administration primarily in the form of enterprise associations (lacking a better word, let us call them for the time being, monetary institutions or even holding companies). But since these institutions are to be taken out from under the executive power and placed under the legislative side, isn't your proposal project, in an implicit manner, a parliamentary reform plan also, which hopes to prevent the resubordination of the enterprise sphere to the system of branch or regional guidance.

[Answer] Since the logic of the Eastern European economic systems has created branch and regional lobbies as important organizations for the realization of interests, let us create another institutional structure where these lobbies alone will not represent the partial economic interests.



From the viewpoint of mobilizing market forces I can imagine a more useful playing-field than the present one. To realize this, we must eliminate the regional and branch order or hierarchy. Because of the internal impotence of the legal prescriptions, it is also useful to formulate all this in the language of legislation so as to emphasize the distinctly different institutional forces. I imagine a multicenter organizational system where even the types of centers are described in the plural. Not only the trade unions but even the capital ownership institutions will fall outside the sphere of executive power. This is the essence of the matter. All this is connected to the idea of parliament being a more effective forum than at present for the social supervision of state administration. I am proposing that supervision of the capital ownership organizations should be entrusted to parliament. This would emphasize the partnership-type relationship of the state apparatus and the owners of capital, not the relationship of subordination, and would increase the social role of parliamentarianism, which I do not overestimate but which should not be underestimated either.

#### A Decade and a Half of Reform Renewal

[Question] Looking back, if you had to evaluate your present reform plan package, what new things do you see in it as compared to the 1968 ideas or as compared to the partial reform plans arising in the meantime among economists faithful to the reform? For my part, and please do not consider this a criticism, I would stress that aspect of your concept which seems to be an attempt at synthesis--hopefully one formulated in good time--even if much is taken from your own earlier thinking too.

[Answer] I feel that it is obvious from the foregoing that I have wanted and still want to disclose the contradictions between efficient management and the centralized, hierarchical economic decisionmaking system. My reform proposals seek an answer to how socialist state property, developed after the nationalizations, can be brought into harmony with efficient market production. From this viewpoint I consider the crucial task to be a separation of state administration and ownership organizations interested in property. From the viewpoint of creating competition and from the viewpoint of efficient management I consider the spread of personal (private) property and the development of self-administration only secondary.

What is new in what I have to say? I would stress two essential motifs. The most important innovation is in the relationship of politics and the economy, more concretely in clarifying the position connection with planning. In its time the reform idea "sold itself" by saying that the directive system was holding back the realization of the central will. And it did this not only for tactical reasons. It described indirect guidance as being better planned than the plan directive mechanism, but it did not make clear whether it should be considered an unqualified success if the plan was fulfilled or not. The reform economists only emphasized that one should not violently lay hands on the economy because details were not fulfilled. My present thinking goes significantly beyond this; in my opinion the realization or nonrealization of the details is actually of no concern. Harmonizing supply and demand is not the task of the plan but rather of the market. This does

not mean that there is no need for a plan; there can be no modern economy without one. Plan preparation is a precondition for rational economic intervention; but one cannot judge the success of economic processes on the basis of the plan or on the basis of the difference between plan data and actual data; rather one must express an opinion about the processes themselves.

In addition, I feel it is important that the original reform gave less emphasis to the institutional conditions for enterprise independence than I do now. At that time they did formulate (although they did not write down) the requirement, recently realized, of combining the branch ministries, but it was not clear that institutional forces should be created to back the managers. This is a question on which I do not have many allies even today. It is possible that others had the same idea earlier but I put it forward in 1969 in materials prepared for internal use.

[Question] If I remember correctly the predecessor of the type of association recommended now, the Production and Commercial Bank, appeared in your work in 1972.

[Answer] In the professional press. But I had written the whole thing in 1969, only it could not appear at that time. In the internal material I am talking about, I not only expressed the necessity of separating the administrative and ownership functions but also that there should be many assets-ownership organizations competing with one another, organizations which did not regard as their chief task the realization of the political and economic guidance principles of the center.

[Question] But in the article in 1972 the analysis of enterprise associations is preceded by the need for special treatment of areas outside the competitive sphere (for example, a number of services) and by a discussion of the internal limits on market competition. This realistic tone of reform self-criticism is less characteristic of your present reform proposal. Perhaps you now feel yourself to be more of a "free competition" proponent?

[Answer] No, my opinion in this regard is unchanged. The reason for the shift in emphasis is surely that at that time my idea about the decentralization of capital property seemed so unusual that I had to emphasize my new ideas and those of my views which were acceptable to general thinking accordingly. In any case, the separation of common goods and market goods was simply lifted from the economic literature and derives from the recognition that the 1968 reform did not make this distinction. But in comparison to my opinion at that time I would now give greater scope to market changes outside the competitive sphere also, let us say in health and education.

[Question] Apropos services. It is well known that a social policy "opposition" to market reforms necessarily develops; this "opposition" expresses its anxieties--frequently quite justified--because of the fear of increasing differences in income, consumption, etc. Not infrequently the

forces attacking the reform for other reasons take over these anxieties and even exaggerate them to the accompaniment of the most populist slogans (see the first few years of the 1968 reform). Does the "new reform" have a message in regard to social policy?

[Answer] I interpret social policy to be one part of the policy of society. And I consider maintaining the standard of living, and quality satisfaction of solvent demand therein, to be a basic task of the policy of society. We must have an economic policy which aids in the fulfillment of this goal and we must have a social policy which resolves the tensions arising in the meantime (creating a link between price and wage increases, material support for and retraining of those temporarily unemployed, taxing exorbitant incomes, taking up the cause of the disadvantaged, etc). In this way one can prevent the opponents of the reform from being able to appear as the protectors of the aggrieved strata. The goal is to avoid a general deterioration in the economic situation of the country, so only starting economic growth can mean a real defense of the interests of those needing social support. When this goal is realized, one cannot shy away from a greater linking of the market even in the case of social services, again keeping in mind the quality satisfaction of needs.

#### The Nature of a Reformer's Behavior

[Question] From your answers thus far, if I am not mistaken, one senses an unbroken faith in the original ideas of the 1968 reform. Prior to that the reform economists could only know that--to put it bluntly--the old mechanism was bad. But now, how can they know that the new is better? The question, of course, is ahistorical but perhaps one could say this: it is impossible to say what would have happened if the reform had not been introduced at that time, it may even be that in many respects its achievements were due to external conditions (a world boom in the first years, the upswing in the second economy, etc). So what supports the widespread belief that in many areas the reform achieved only limited success because of its limited nature?

[Answer] In social science, obviously, the possibilities of experimentation and exact proof are limited, and comparison with the parallel development of the other socialist countries cannot be decisive in the matter either. One can only guess as probable the advantages of the reform economy, starting from the improvement in a few qualitative indexes of the economy (accelerating growth, increasing the ratio of capitalist export, expanding the variety of goods, etc), comparing them in time and space. From this viewpoint the Hungarian economy achieved significant results in the years following the reform. We can only talk about the stagnation after 1973 as a deterioration. In the matter of the supply of goods I consider it very important that even public opinion definitely attributes to the reform the relative abundance. And as for the second economy--as I said earlier--I certainly do not regard it as an external factor in connection with the reform.

[Question] Obviously in the case of a reform economist one can regard faith in the reform as an "occupational defect." In your case this faith is now

mixed with confidence for--as you have said you see some chance for a "reform of the reform." But because decisions similar to the liberalizing measures carried out in 1979-81 are usually followed by a new "hardening," is this not a delusion?

[Answer] In my opinion the waves of decentralization-recentralization do not show any regularity. And recentralization does not follow simply from the unsatisfactory results of a policy of decentralization. If the economic indexes do not improve in the meantime, if they simply deteriorate, this may prove the limited nature of the decentralization, providing arguments for removing these limits. In this way one can imagine that two liberalization phases may follow one another--one weaker and one stronger. I consider the spring simile more telling than the cyclic concept of economic policy; according to this the forces of centralization are characteristic of the socialist economic system; the forces supporting decentralization, which are concurrently present, can only relatively rarely depress this spring to any serious degree, thus liberating the economy from the pressure of centralization. In general this happens when other pressures--in this case the tension in the balance of payments--burden the economy. If this pressure then strengthens, this may give birth to new decentralization decisions, and these decisions could put a high price on a return to centralization.

[Question] And the more pressure we put on this spring, the spring, following its own laws, is the more ready to break. But let us change the theme. The question pertaining to hopes and possible disappointments was intended as a pretext for the closing theme of our interview. To be more personal, I would be interested in what it means to have been a "reformer on duty" for 15 years. To start again and again, to put together mechanism models one after another, to prepare partial proposals, that is to assume responsibility for getting at least a little understood, to make concessions constantly, to swing between critical theory and politics. Why do you do all this?

[Answer] Actually, I have been doing this for 30 years, when I returned from Leningrad--where I attended the university--and the economic policy turn of that time took place in the Plan Office. When I switched to foreign trade after 1956 (the Chamber of Commerce and then the Business Cycle and Market Research Institute), there also I considered the study of the guidance of the Hungarian economy to be my most important task. Ever since I discovered that in many respects socialism was unable to realize its promises, that von Mises was not right and that the socialist economy did not liquidate itself, that its functioning could be improved, since then I have been thinking about how socialism could be better harmonized with the goals of humanization.

I could not be satisfied with simple criticism. Even if it is not accompanied by having the ideas work out, you realized this work is still diverting when it is limited to the "permitted, not permitted" parlor game surrounding reform proposals. In addition, what has been really essential for me is not



the planned models but rather the criticism and the search for paths in its wake. I do not really believe in my own models; rather it is their constructive formulation which aid in a realistic outlining of the problem. From the theoretical viewpoint, what is exciting is not primarily what the practical weaknesses of the socialist economy are but rather why it can maintain itself despite its various deficiencies and how and to what degree it can be made more efficient.

As for the political responsibility for reform proposals, there is a certain division of labor between science and practice. In my view science should concern itself primarily with providing a guide and not with working out concrete mechanism details. Its task is not to make compromises, but it must accept the fact that nothing works without them. This creates a favorable position for scientists, because they can make these compromises responsible for the troubles arising in the realization of their proposals. But for all this the outlining of "pure" solutions is not superfluous.

8984

CS0: 2500/176

## HUNGARY

### FINANCE MINISTRY OFFICIAL URGES ENTERPRISE DIFFERENTIATION

Budapest NEPSZABADSAG in Hungarian 26 Mar 83 p 3

[Article by Attila Madarasi, State Secretary of Finance: "Differentiation and Discriminating Differentiation"]

[Text] Differentiation and discriminating differentiation are concepts frequently discussed nowadays regarding enterprise management. There is an important difference between the two. Differentiation is a process which takes place in the wake of managing conditions and enterprise activity, while discriminating differentiation means a conscious intervention in this process which leads from normative regulation uniformly valid for everyone and in the end moderates, neutralizes or increases the process of differentiation. Their importance has been strengthened and made timely by two circumstances.

#### Profitability Does the Rating

One is that since the middle of the 1970's the enterprises have been subjected to very strong influences, and the role of the objective processes which cause a differentiation has become greater. The requirements on the achievement capability of the Hungarian economy have been revised upward to a great degree. For this reason it is essential to increase export capability and to reduce import demands, both of which require the guarding of market positions, exploitation of new market possibilities and continuous and effective renovation of production.

For a long time we became accustomed to thinking that differentiation depended essentially on the kind of results achieved by enterprises as measured by domestic standards and as compared with the earlier achievements of the given enterprise. The situation which developed by the beginning of the 1980's represents a radical change both in the requirement system that must be taken more into account and in the increasingly normative regulation that gives it expression. As a consequence, it results in a differentiation that is continuously being strengthened.

Nowadays one can at times hear the disapproving view that "our enterprise is not growing worse but working better than before," and still its situation and success are not improving and may even be deteriorating. Of course, this may be a contradiction, and still we must regard this view as correct if

in a given case it comes about because the same level of achievement or an improving level as compared to what it did before is not adequate to the altered conditions of the national economy. This is all the more true in the case of enterprises which cannot even adjust to their own system of progression and lag behind.

The other circumstance which has put these concepts into the forefront is recognition of the fact that we can and must put into the service of economic development the driving forces that are available in differentiation. What kind of driving force do we mean? If we do not restrain the effects of differentiation, it means greater incentive for the improvement of activity in enterprises which do not meet requirements and are managing with weaker results than others. At the same time, consistent recognition makes those enterprises that achieve more favorable results interested in further development. However, differentiation also fulfills an important signaling role. It signals the need and direction for structural change, and it directs attention to the tension points in management.

In order to rate enterprise activity as a whole, we must choose profitability. This is the most complex index and in principle expresses the development of the production structure and marketing relations, the various cost elements and and the changes in obligating means--in general, the rationale of economy. It has been the most important task in the development of price and value relations and will continue to be so in the further development of the reform that awaits us; we should consider in a complex way the fuller exploitation of its theoretical possibilities, and it should be the most reliable standard possible for enterprise achievements.

#### Differentiation and Equalization

However, it is not only the individual achievement of the enterprises that affects profitability. It also depends on the objective characteristics of the individual branches and on their different economic conditions. In certain cases, it is justified to modify and bring into agreement with the priorities of economic policy the effect on enterprise of these differences, precisely for the sake of giving better incentive to enterprise achievement. In general, this is how it can be explained that we must differentiate in the price and income regulation system and take into account the above factors and goals. It has been our experience in recent years, however, that discriminating differentiation has been excessive and in the end has weakened the driving forces of differentiation. In this way, the actual differences between enterprise achievements have frequently been blurred. This has had an effect in two directions. The forces putting the pressure on enterprises that are lagging behind have been weakened, and the conditions of the developing enterprises have improved to a diminished degree.

We do not mean to say that profitability has not undergone differentiation, particularly in recent years. In 1982 there was an increase both in the number of enterprises with considerably lesser and greater profitability than average. Thirty-one percent of the enterprises belong in a profitability

bracket less than one-half the average, and more than 11 percent belong to a bracket operating with one and a half times or more profitability than average. Many more industrial enterprises have undergone a large-scale decline (above 25 percent) in results. Their ratio exceeds that of the previous year by 16 percent. There are more enterprises operating at a deficit: 40 as compared with 20 in 1981; the total deficit comes close to 2 billion forints. Therefore, in recent times the intensification of differentiation can be observed.

It is important that differentiation should continue and faithfully reflect the efficiency of enterprise activity.

But the analyses point, above all, to the fact that the increase in profitability differences did not go consistently together with differentiation in the situation of the enterprises. Differentiation which affects the consequences of profitability occurred often in the case of enterprises with less achievement, and in this way an equalization occurred different from the differentiation of achievements both in development possibilities and in development of personal incomes. According to a representative study, for example, the means development of the most profitable enterprises between 1976 and 1980 was less than that of the least profitable.

Continuing the series of measures begun in recent years, we must therefore open a broader path to the dual process. We must deliberately give scope to the process of differentiation, while in discriminating differentiation we must moderate the intent to equalize and stand instead by those who are offering better achievements. This means that with the weighing of differences existing in objective conditions and of discriminating differentiation expressing the priority of economic policy, we must consistently realize the consequences stemming from different enterprise achievements. In addition to the development of price and market relations, therefore, the path of the future is in the moderation of income redistribution, reduction of supports and the further effective development of enterprise independence.

This trend can be realized only if in our general thinking the judgment of differentiation is in place as well. To do this, we must become more and more widely conscious of the fact that development is accompanied by continuous reorganization. Accordingly, achievement symmetry belongs much more in the center of social sensitivity than the protection of enterprise stability.

#### Organization and Interest

Many analyses have pointed out in recent years that the present condition of enterprise organization is obstructing from many points of view the successful operation of the driving force stemming from differentiation. It is characteristic in industry that from socialist industrialization to the end of the 1970's the number of enterprises has decreased by one half. There are many monopoly enterprises, and the importance of small and medium-sized enterprises has declined unjustifiably. The analyses do not lead to some kind



of general antibigness conclusion, and in fact they have verified that in certain key points of the industrial structure the truly important large enterprises have their place. But from the viewpoint of obstructing the progressive role of differentiation, the analyses indicate that--from the aspect of large enterprises amalgamated only organizationally and not from the viewpoint of the production process--an overly centralized structure has come about which in many instances puts up in the enterprises with a very low level of achievement, restrains to a greater degree than justified the effect of changes in external conditions, stabilizes the low level of cooperation among the enterprises and obstructs the development of rational cooperation and specialization.

Therefore, various kinds of changes are justified. One of these is the further unmaking of the overcentralized organization. Much has been done in this area in recent years. In reaction to the decentralization of larger units, almost 200 new enterprises have been established. We must continue this process with unconditionally constant intensity. It is often said that many of the enterprises let market opportunities slip away which require greater pains, choosing rather to put up with unused capacities. We must do a great deal to change this, but we must regard as true the statement that overly centralized organization is one of the reasons why enterprises can do this at all. A medium-sized enterprise is harder hit by the consequences of unused capacities.

We must also see to it that the organizational system should be given greater scope for flexible self-mobility. The spread of various associations, primarily businesses and small businesses, helps promote this process more and more. According to the 1981 modification of the enterprise law, the internal organizational units isolated within large enterprises may initiate their separation from the parent enterprise. It is not a positive matter that since modification there has been no purposeful effort in this direction, although the number of enterprises operating at three or more large sites is near 500.

The other trend is a considerable change of interest relations within trusts and enterprises. Among state enterprises, unfortunately, differentiation among the units is not being adequately realized, and therefore the driving forces deriving from these remain unused. We must unconditionally make changes in the development or further development of this internal interest system. The development of interest relations with the enterprises is promoted by the reorganization of the tasks and rights of the administrative councils and supervisory committees and by modification of the system for selecting enterprise leaders. From the viewpoint of effective interest relations, it is also essential to exploit the creative strength of plant democracy. The working out and preparing of new solutions are being conducted for the sake of developing the exercise of property functions and the decisionmaking system. It is certain that on the basis of the experiences of the economic business work partnerships, the growth in their numbers and activity will also require new solutions for interests within the enterprise.

### Difficult But Necessary Decisions

Thus differentiation is not a goal but a necessary feature of economic activity. There will always be enterprises which meet market demands at a high and low level, and the order of sequence will be continuously in motion and in reorganization. Its driving force exists in the fact that it evokes efforts which give incentive for closing gaps or for increased use of advantages. Hence conscious intervention and differentiation must not be free to preserve the existing situation but on the contrary must give vigorous incentive to favorable advances. The results of enterprise management in 1982 bear witness of the development from this point of view.

We must proceed in this direction because it is certainly true that if we differentiate in such a way that we do not leave enterprises the income that is adjusted to their achievements, there will be no change in the process whereby the continuing maintenance of activity by those managing at a low level draws resources from those with good development possibilities. A change in this respect is filled with contradictions and frequently requires decisions with painful consequences, but we cannot avoid it. For this reason, among others, we must continue to work vigorously in bringing changes in deficits and low efficiency. These enterprises must not expect help from the outside; rather they must proceed on a path of renovation starting with their own initiative, or if this cannot be done successfully, we must not exclude cutbacks or termination. In this way, new resources, manpower and existing means could be transferred to enterprises that are working efficiently.

6691

CS0: 2500/185

COST EFFECTIVENESS OF MILK PRODUCTION DECLINING

Budapest FIGYELO in Hungarian 17 Mar 83 p 13

[Article by Adam Balogh: "They Have Already Skimmed It"]

[Text] The strongest results of intensive milk production were seen after 1980. But domestic milk consumption increased more slowly than production and there has been a significant surplus of milk since 1979. This is because on the state farms, milk production per cow had already in 1977 reached the present 3,800 liter production average of the producer cooperatives. In 5 years they increased their specific production by 1,125 liters, or 31 percent, which at this time is over 4,600 liters. Even though milk production in the producer cooperatives increased faster than on the state farms, since between 1976 and 1981 the milk yield per cow increased by 54 percent, or by 1,334 liters, the production standards of the two sectors got somewhat closer to each other.

The difference was also large between the dairy and the dual-use raising [of cows]. While in last year's average the average milk yield on the dual-use farms did not even reach 3,000 liters, in the operations specializing in milk production it even exceeded 4,300 liters. In this group, the milk yield in 1981, for example, exceeded the nationwide average of large operations by about 320 liters, and the difference in milk production between the tsz's [producer cooperatives] and the state farms was also significantly smaller here.

In the interest of larger yields the large operations increased their expenditures, and because of this the cost of production per cow also gradually increased every year between 1977 and 1982 in real value. But the rapid increase of milk production had such a favorable effect on specific expenditures that cost per liter of milk decreased between 1976-1979 even when calculated at current prices. But the price increase of industrial products sharply increased the costs of production after 1980, and therefore in 1980 and 1981 the yield increase was not accompanied by further cost decreases.

Taking into consideration the relative cost increase, which is estimated to be about 13 percent in cattle raising between 1979-1981, the positive

relationship between expenditure and yield can continue to be demonstrated --but many people question that now.

The relatively lower demand of high specific production for expenditures is shown most clearly by the cost data of operations with varying production levels during the same period. For example, on farms producing under the 3,000-liter average the production cost of milk is 9.4 forints. In the category between 5,000-6,000 liters it was only 6.6 forints.

Due to the interests attaching to the constant increase of the milk yield, cost management related to milk production has been temporarily relegated into the background in the large operations. It cannot be measured accurately which items are justified in the costs of milk production. Among the natural data, primarily the real cost decreases in feeding and other material consumption as well as in labor can probably be made. At the same time it is discomforting that the weight of those expenses is continuously increasing which exert their effect only indirectly on the yield (amortization, maintenance, energy supply operating cost, taxes and general overhead).

It is quite certain that increases in the costs due to quality rejects, maintenance, amortization and services can be expected. Rapid yield increase is no longer a realistic alternative in most large operations. It is expected therefore that the way costs develop will come into the focal point of our interest. Even more so, because the 1982 measures decreasing the milk price subsidy and bonuses have caused a decisive change in the interest relationships. That is, the milk price subsidy decreased by 0.80 forint per liter, and the milk bonus base by 20 percent.

The six forint-per-kilogram increase in the producer price of slaughter cattle only partially counterbalanced the losses of this branch.

The measures effective as of 1982--the bottom line of which is a loss of 3,200 forints per cow in the state farms and 1,700 forints in the producer cooperatives--at the same time also represented the end of 5 years of continuous interest seen for the first time in the history of cattle raising in the large scale operations.

The changed interest relationships have taken away the attention not only to milk production, but also to cattle raising in about 40 percent of the large scale operations.

By themselves and in comparison with the same indexes of other branches, the specific profitability of milk production was still favorable between 1978-1981. But the investment and revolving capital requirements of cattle raising are high. The major share of the need for means is related directly to milk production.

The specific requirement for means in raising dairy and dual-use cattle, calculated on the basis of income (averaged across the enterprises), is approximately twice as high as in the other livestock raising branches. For example, if we take the specific means committed in the cattle-raising



branch at the tsz's as 100, then it is 60 for hogs, 33 for broiler chicken and only 40 percent for eggs for the table.

Under average circumstances the real income situation of the branches would be the same if, for example, the value of cost proportional profit would be 33-40 percent higher for dairy cattle than in hog raising, and three times or two-and-a-half times higher, respectively, than in the production of broiler chicken and of eggs for the table.

8584

CSO: 2500/181-B

## HUNGARY

### GOVERNMENT FLOATING BONDS FOR GAS LINE CONSTRUCTION

Budapest FIGYELO in Hungarian 17 Mar 83 p 7

[Article by Mrs Istvan Cseresznyak, PhD, and Zsigmond Jarai: "Bonds for Gas Line Construction"]

[Text] The transformation of the economic structure and more rational use of the limited resources also presume that development resources are not necessarily used where they are generated but that there should be a possibility for regrouping them on the basis of their profitability. Several regulations were born in 1982 which serve to dissolve the administrative limitations on the mobility of finances, modernize the capital allocation system and promote a freer, less restrictive regrouping of the means than before. These regulations make it possible for the state, the councils, the financial institutions and the economic operating organizations to issue bonds in order to supplement their development resources.

The bond serves temporarily to regroup the available development monies not planned to be used for other purposes at the present time, and in essence it is a sort of loan operation during the course of which the bond's purchasers extend to the issuer a loan corresponding to the nominal value of the bond, under the preset interest and repayment conditions. Thus, with the sale of the bonds, free or available monies can be attracted to finance certain goals, which [monies] would otherwise not be utilized or would be utilized only at lower efficiency; that is, those people buy bonds who consider the financial advantages (for example, interest) associated with the bond to be more favorable than what they expect from committing their development resources in other directions.

Taking advantage of the opportunities provided by the regulations concerning bonds, the National Development Bank (AFB) and the National Petroleum and Gas Industry Trust (OKGT) are, with the approval of the minister of finance, issuing bonds with a value of 200 million forints, to be purchased by economic operating organizations. The purpose of this action, the first since the regulation was issued in 1982, is to regroup a portion of the enterprise development funds otherwise intended for financing other investments and for expanding the gasline network which is absolutely necessary to replace the relatively expensive heating and fuel oil obtained from imported natural

gas. The national budget will bear approximately 40 percent of the investment costs of building the planned pipelines--considering the important national economic interests in replacing oil--while the remaining portion will be covered by contributions of the users who will directly connect to the gas lines to be built and by the monies temporarily regrouped for this purpose by means of selling bonds.

#### 11.5 Percent Interest

The issuance of the bonds can be successful only if the economic conditions of buying bonds are more favorable than the average money investment conditions.

Bond purchase is an investment of capital which--as a consequence of the bond's advantageous conditions--provides the bond's owner with a significant increase of profits, with no risk. The bond's potential buyers are those economic operating organizations which are willing to delay or postpone some other investment goal because the sure incomes deriving from the bond to be more advantageous than other incomes, perhaps less secure ones, which can be achieved with a different investment. The economic operating organizations directly interested in connecting to the gas pipeline will gain an additional advantage beyond this, since through their bond purchases they will be promoting the construction of the natural gas pipeline which will make it possible for them to convert to cheaper natural gas. The preparatory work for issuing the bonds is underway at the AFB which handles its implementation, and some funds have already been pledged.

The AFB which issues the gas bond and the OKGT have set the bond's interest at 11.5 percent per year. The issuers will pay 11.5 percent interest each year to the bond owners until the bond is fully repurchased. Each year the owners will send in the interest coupons which mature on 31 March to the AFB, and within 15 days after receipt the bank will credit the accounts of the bond owners with the interest. The income gained from interest increases the income and thus the profit of the economic operating organizations.

#### Conditions of Repurchase

The issuers determine the repurchase conditions and the time and method of redemption--within the limitations set by the regulations' restrictions.

The following things had to be weighed in setting the redemption conditions for the gas bond:

--too long a redemption--for example, 12-15 years--is not advantageous from the bondbuyer's viewpoint because its money must be tied up for too long;

--at the same time, very early redemption would cause difficulty for the issuers because resources sufficient for repurchasing the bonds--that is, for repaying the loan--could not yet develop from the profits of the investment financed by the bond;

--determining the time of redemption by lottery cannot be used because then the economic operating organizations owning bonds could not plan their basic development growth deriving from the bond's redemption.

Based on the above viewpoints, the issuers finally decided on redeeming the gas bonds beginning after "patience time" over two equal 5-year periods. Thus the bonds run for 10 years, and their redemption will begin in the 5th year following completion of the bond issuance, in 1989, and will be completed in 1993.

In each year between 1989 and 1993 the issuers will repurchase 20 percent of the nominal value of the bonds. The income derived from redeeming the bonds (from making payments) will increase the development funds of the economic operating organizations. Of course, during the time of repurchase at all times only the sum decreased by the payments made will gather interest. Demands based on the bond (payment of interest and repayment of the capital) will not lapse, the bond's owner can cash in the bond and interest coupons at any time after their due dates, but the bond will earn interest only up to its due date.

Beyond the financial guarantee the economic operating organizations interested in gas connection will also receive an additional natural guarantee from the issuers that the gas pipeline system financed by the bond will be completed by the planned deadline or by 31 December 1986 at the latest. Inasmuch as the gas pipeline system or some of its elements are not completed by the deadline specified, the issuers will immediately redeem the bonds upon request from the bond owners.

#### Pledges Until 30 June

The bond sale will run until 30 June 1983. By signing the pledge sheet the signer accepts the obligation to purchase the bond during the period of the bond's sale at a time specified by him. At the same time, the issuers obligate themselves to sell the bonds pledged during the time and for the nominal value specified in the pledge, to pay the interests calculated from day of sale at the time those fall due and to repurchase the bonds at the specified rate. The signing is a contractual obligation for both parties.

Pledged bonds may be purchased until 31 March 1984. Thus the opportunity exists for the economic operating organizations to buy bonds also at the expense of their development funds formed from their 1983 profits. The bonds are for the bearer and can be freely bought and sold among the economic operating organizations for the values agreed upon by the parties. Free tradability makes the bond more flexible and can also increase the desire to purchase the bonds.

The issuers back the fulfillment of all demands based on the bond and the redemption of the interest and bond coupons, with all their properties and incomes. The OKGT operating the pipeline to be built will sell gas from it, and the cost of building the pipeline will also be recovered from its price. Thus it will be possible to redeem the bonds and pay the interests.

8584

CSO: 2500/181-B



SEJM RESOLUTION ON CREDIT, INCOMES, MONETARY POLICY DISCUSSED

Warsaw MONITOR POLSKI in Polish No 33, 31 Dec 82 Item 287 pp 381-385

["Resolution of the Sejm of the Polish People's Republic, dated 29 December 1982, on the Credit Plan, Personal Incomes and Expenditures Budget, and Monetary-Credit Policy Objective for 1983"]\*

[Text] Par. 1. 1. Enacted herein is the credit plan, together with the personal incomes and expenditures budget, as well as the monetary-credit policy objective for 1983, comprising Addenda Nos. 1-3.

2. In the course of implementing the monetary-credit policy during 1983 the banks must endeavor to bring about a situation whereby the dimensions of the credits are adjusted to the amount of the monetary means accumulated in the bank accounts in order to cover the allocated credits.

Par. 2. The Council of Ministers is obligated to undertake actions aimed at limiting deficits in the personal incomes and expenditures budget.

Par. 3. The president of the Polish National Bank is authorized to increase credits for central investments in order to finance the growth of outlays for those investments, caused by changes in the official and regulated prices.

Par. 4. The president of the Polish National Bank is obligated to do the following:

1) consistently observe the principle of allotting credits only to those economic units which possess credit qualifications and which are achieving genuine economic effects,

2) present to the Sejm information concerning existing threats in implementing the credit plan, in particular, those affecting issuances brought about by unprofitable phenomena in carrying out the annual central plan, the State Budget, and the plan of payment transactions from abroad, as well as presentation of results stemming from the price situation.

S. Gucwa, marshal of the Sejm

\* Final issue in 1982

Addendum No 1 to the Resolution of the Sejm of the Polish People's Republic,  
Dated 29 December 1982 (Item 287)

CREDIT PLAN FOR 1983

<u>Assets</u>	<u>Planned Increase in 1983</u>	<u>Planned Status for 31 Dec 83</u>	<u>Estimated Status for 31 Dec 82 = 100</u>
	(in billions of zlotys)		
I. Credits for the socialized economy	325.0	3,920.0	109.0
1. Working capital	100.0	1,847.0	105.7
2. Investment capital for economic organizations	135.0	1,570.0*	109.4
Including:			
--for central investments	95.0	589.1*	119.2
--for investments of enterprises	40.0	980.9	104.3
3. For investments in housing construction	90.0	503.0	121.8
II. Credits for the non-socialized economy	26.3	170.1	118.3
1. Working capital for private farms	4.0	46.7	109.4
2. Investment capital for private farms	19.2	113.6	120.6
3. Working and investment capital for non-agricultural, non-socialized economy	3.1	9.8	146.3
III. Credits for domestic economies	29.1	103.8	140.0
1. For installment purchases of goods and services	15.3	55.1	138.4

\* Predicting an additional increase of credits for central investments  
as a result of changes in official and regulated prices

2. For private housing construction	13.0	46.4	138.9
3. Ready-cash loans	0.8	2.3	153.3
IV. Subtotal of credits	380.4	4,193.9	110.0
V. Credits for financing deficits of the State Budget	151.4	392.4	161.8
VI. Other assets	20.0	1,052.1	101.9
	<hr/>	<hr/>	<hr/>
Total	551.8	5,638.4	110.8

[Continuation of Addendum No 1]

<u>Liabilities</u>	<u>Planned Increase in 1983</u>	<u>Planned Status for 31 Dec 83</u>	<u>Estimated Status for 31 Dec 82 = 100</u>
	(in billions of zlotys)		
I. Funds of economic organizations	160.0[?]	1,067.1	117.6
1. Clearing and current accounts	100.0	522.2	123.7
2. Accounts of special funds	40.0	372.0	112.0
3. Accounts of funds for investments	15.0	162.9	110.1
4. Accounts of the Vocational Activization Fund	5.0	10.0	200.0
II. Funds of Financial Institutions	11.8	165.5	107.7
1. Investments of the State Insurance Institution	9.0	62.0	117.0
2. Banks' own funds in circulation	2.8	72.9	104.9
3. Other bank funds and assets	---	30.6	100.0

III. Personal funds of the non-socialized economy in bank accounts	100.0	948.5	111.8
Including: term-type savings deposits	55.0	520.3	111.8
IV. Budget funds in bank accounts	---	144.2	100.0
V. State Budget investment to cover credit activities	---	---	---
VI. Accounts of foreign operations	127.8	2,351.5	105.7
VII. Clearing accounts between banks and between sectors	---	177.4	100.0
VIII. Ready cash issued	110.0	742.0	117.4
Including: personal ready resources	100.0	680.7	117.2
IX. Lack of credit coverage	42.2	42.2	---
Total	551.8	5,638.4	110.8

Addendum No 2 to the Resolution of the Sejm of the Polish People's Republic,  
Dated 29 December 1982 (Item 287)

#### PERSONAL MONETARY INCOMES AND EXPENDITURES BUDGET

##### Enumeration

1982

##### Estimated Performance

<u>Incomes</u>	<u>In billions of zlotys</u>	<u>Deviation from central socio-economic plan in billions of zlotys</u>	<u>Performance 1981 = 100</u>
1. Emoluments for work	1,720.0	154.0	143.0
2. Social services	632.7	3.8	238.5
3. Indemnities, interest from deposits, and other transfers	108.8	12.1	164.6



4. Credits granted	113.6	-19.4	169.0
5. Incomes from sales of agricultural products	600.0	55.0	161.9
6. Incomes from the nonagricultural, nonsocialized economy	82.0	36.0	186.6
7. Remaining incomes	83.0	0.6	110.1
	<hr/>	<hr/>	<hr/>
Total	3,340.1	242.1	159.7

Expenditures

1. Purchase of goods (acquisitions funds)*	2,456.0	23.0	172.6
2. Payments for services	318.0	36.0	144.1
3. Deliveries and payments	66.4	6.8	117.3
4. Credits paid off	59.7	-7.5	101.9
5. Remaining expenditures	60.0	3.8	122.7
	<hr/>	<hr/>	<hr/>
Expenditures in sum	2,960.1	62.1	163.8
Increase of monetary resources	380.0	180.0	134.0
	<hr/>	<hr/>	<hr/>
Total	3,340.1	242.1	159.7

[Continuation of Addendum No 2]

1983 Plan

<u>Incomes</u>	<u>In billions of zlotys</u>	<u>Estimated performance 1982 = 100</u>
1. Emoluments for work	1,990.0	115.7
2. Social services	745.4	117.8

\* In the estimated performance for 1982--actual expenditures for purchases of goods.

3. Indemnities, interest from deposits, and other transfers	119.0	109.4
4. Credits granted	123.4	108.6
5. Incomes from sales of agricultural products	590.0	98.3
6. Incomes from the nonagricultural, nonsocialized economy	100.0	122.0
7. Remaining incomes	104.6	126.0
	<hr/>	<hr/>
Total	3,772.4	112.9

Expenditures

1. Purchase of goods (acquisitions funds)*	3,010.0	122.6
2. Payments for services	346.0	108.8
3. Deliveries and payments	84.1	126.7
4. Credits paid off	66.0	110.6
5. Remaining expenditures	66.3	110.5
	<hr/>	<hr/>

Expenditures in sum	3,572.4	120.7
---------------------	---------	-------

Increase of monetary resources	200.0	52.6
--------------------------------	-------	------

Total	3,772.4	112.9
-------	---------	-------

1. Goods and services furnished in estimated prices for 1983: 3,282 billion zlotys
2. Acquisitions fund for purchasing goods and services: 3,356 billion zlotys
3. Deficit signifying mandatory increase of monetary resources (Items 2--1): 74 billion zlotys

\* In the plan for 1983--the acquisitions fund for purchases of goods

6. Preference with regard to the level of credit financing of needs connected with production growth can be utilized by enterprises which will undertake or develop production and services in particularly desirous fields, as outlined in the central annual plan.

7. The banks can convert a part of their heretofore utilized working-capital credits to term-type credits, subject to payment at annual rates from developmental funds, while allotting compensations for a portion of the interest from the quota of the credits paid up during the year 1983-1985.

8. The banks are authorized to grant credit for the partial financing of replenishing supplies in market-trade units, despite the nonfulfillment of the conditions spoken about in Point 3.

9. The banks are ensuring the continuity of crediting the central investments in the central annual plan within the limits of the enterprises' suitability to pay off (liquidate) the credit on condition that the investing enterprise concludes an agreement with the depositing organ, based on the mandatory assertion in the document determining the investment cost as well as establishing the sources of the financing. In well-established cases the banks can adopt as a basis for establishing credit the value of the investments' cost estimate, as determined in a simplified manner, reserving to themselves the right to verify the credit quota for recalculating the documents for new prices.

10. The surplus of the cost-estimate value of the central investments exceeding the suitable limit of an enterprise to pay off the credit will be financed by State Budget funds or by separate bank credit, the payment of which will be guaranteed by the Minister of Finance. Growth in the cost-estimate value of the central investments brought about by an expansion in the material sphere will not be financed by bank credit.

11. The banks are ensuring in the first sequence the continuity of crediting enterprises' continued investments on which verified credit agreements have been concluded, based on cost estimates and cost statements as computed for real prices. In 1983 the banks will not extend credit to finance an expanded material sphere of enterprises' investments.

12. The banks can extend credit for the financing of new investments of enterprises in 1983 only within the limits stemming from the credit plan, for satisfying the needs connected with financing continued investments. Within these limits the banks are ensuring priority in granting credit to financing investments in preferred spheres, as outlined in the central annual plan.

13. Priority with regard to newly begun investments are being ensured by the banks--within the limits and framework outlined in the central annual plan--to investments which were temporarily interrupted and which have been reviewed prior to renewal.

14. The banks will differentiate between the terms of credit payments granted for financing newly begun investments as well as granting their own funds for financing, depending on the financial situation of the person being granted credit and the preferences outlined in the central annual plan.

15. In the case of supplementary financing of enterprises' investments by additional credit funds and not by those proceeding from the development fund, a condition for extending credit is a guarantee of the appropriate organ ensuring the granting of funds with a definition of the term of their assignation [transfer].

16. In the area of housing construction the banks will assist with credit in the first sequence of development and intensification of local production and building materials, as well as the emergence and development of small housing cooperatives and cooperative construction enterprises. At the same time the banks will sharpen their evaluation of the soundness of housing construction costs, making the granting of credit and its high level dependent on the introduction of rational [effective] design solutions.

17. Credits for nonagricultural, personal, single-family construction will be granted by the banks in the first stage for building houses as follows:

--those which are already considerably far along and are supposed to be completed during 1983;

--those which have implemented in the form of their organization within the framework of cooperative associations aid in building single-family houses by means of labor and youth groups; and

--those with a total area of less than 170 square meters.

The banks are creating preferential conditions for extending credit for building single-family houses being implemented by young married couples. They will also be granting credits for the modernization and major repair of single-family houses.

18. With respect to the socialized units of agriculture and fishing, the banks will conduct a credit policy designed to help increase commercial production. Enterprises indicating an improvement in efficiency but which are in a difficult financial situation can be granted easy credit terms by the banks, consisting of lengthening and postponing the payment terms of credits extended for investments which, for reasons having nothing to do with the enterprise, have not brought about the anticipated effects. With regard to enterprises which are not making improvement in their results, the banks are obligated to limit and call in their credits.

19. With respect to private agriculture, credit activity will be aimed at assisting farms which have the conditions for developing agricultural production, and especially investments for purchasing machinery and equipment, development of a fodder base, and housing construction.



20. Credits for the nonagricultural, nonsocialized economy will be granted for the development of services and market production. In the first sequence credit will be granted for the adaptation and modernization of already existing facilities or for purchasing production equipment.

21. The policy of the banks in the area of credits granted for purchasing industrial goods and services will be formed in consultation with the Minister of Domestic Trade and Services, taking into account the possibilities observed and the monetary-market situation. In 1983 these credits will be granted primarily to young married couples.

22. The banks pledge to propagate and activate the savings of monetary funds by people, and particularly for private and cooperative housing construction, special and time deposits, as well as to develop funds for unforeseen emergencies.

23. A basic interest rate in the amount of 9 percent has been established on working-capital and investment credits granted to units of the socialized economy. The president of the Polish National Bank can establish a differentiated interest rate on credits granted for financing certain directions of economic activity implemented under particular conditions or with respect to the preferences outlined in the central annual plan. The interest rate for preferred spheres can be lowered by 3-5 points.

2384

CSO: 2600/533

## DRAFT VERSION OF NEW LAW ON BANKRUPTCY FILING PROCEDURES REPORTED

Warsaw ZYCIE WARSZAWY in Polish 26-27 Feb 83 pp 1, 2

[Article by: C.H.]

[Text] (P) (Own Information) Although the court announced toward the end of last year the bankruptcy of the first state construction enterprise in postwar Poland, and several small enterprises stood under the threat of bankruptcy, nevertheless, in the legal system of economic reform there is need of a law that would regulate the termination of unpropitious management of plants.

After many months of discussion and numerous modifications of the first variants, everything is indicating that the new draft law on the reorganization or bankruptcy of state enterprises will finally soon reach the Sejm.

It is difficult to overestimate the significance that this law will have from both the point of view of the regulation of economic processes, just as--and most of all--in the sphere of social consciousness, which was hit with the conviction that the bankruptcy of a collectivized enterprise was practically impossible. In the meantime, economic reform, together with the principle of self-financement, must foresee not only participation in profits, but also the effects of independent activity in the case of poor management.

The draft law does not see bankruptcy solely as the inevitable end of poor management. The public is not interested in bankruptcy--which should, however, create a real threat if the ventures undertaken for the improvement of the situation fall short. The draft law deals with, consequently, all the ventures, which should be undertaken by state enterprises, if the red light signalling a rise in losses goes on.

The responsibility of initiating this alarm signal rests on the director, on the bank as well as on the state control organs. In the course of a month from the time of notification or from a call by the founding organs to take appropriate steps, the director should present at the self-government forum information on the causes, as well as a plan for improving the situation. If he discovers that the alarm is premature, and the difficulties are of a transitory nature, then he merely informs the self-government of the causes of

the problems and the anticipated period when these problems will end. The workers' council then decides whether the director should present a specific recovery plan, or whether this is also needless for the time being.

However, the draft stipulates that, in any case, the workers' council has the responsibility, within the course of 14 days, of taking a stand on this issue, eventually passing a resolution dealing with the management plan in the enterprise. It can also take advantage of the services of consultants, of calling together a commission of experts and, on the basis of their opinions, accept or reject the director's proposals. In the case of a rejection of the plan presented by the director, he [the director] should present a new version, unless the workers' council will prepare its own, or will commission the experts to prepare a plan. Nevertheless, the passage, by the self-government, of such a program of reorganization must occur within the course of a month from the time the preceding resolution was undertaken.

If, on the other hand, the workers' council does not take a stand and does not pass a resolution on the issue of economic recovery, then at that time the director appeals to a general meeting of workers or their delegates. The draft law is also explicit as to the elements that such a recovery plan should consist of (a tightening of credits, changes in contractual agreements and understandings, and the like).

If the situation will prove to be so ominous, that internal procedures are futile, or the recovery plan is not presaging success, then the liquidation of the enterprise may begin. In this matter, the decision of the founding organ is binding, whether it complies with the motion to liquidate or, also--if public interest demands it--whether it makes the decision to maintain the enterprise, but sets up a board of commissioners at its head. If the internal recovery of the situation is carried out by the enterprise at its own risk, then the setting up of the board of commissioners is linked to the acquisition of essential means. Nevertheless, the process of raising the enterprise is led, at that time, not by its organs, but by the board of commissioners. The enterprise remains, then, devoid of self-government, the director is dismissed, and the collective organs, including the workers' self-government as well, are dissolved.

Ultimately, if the board of commissioners also does not bring about an improvement, then bankruptcy takes place. This occurs, then, when the assets are no longer sufficient to cover the debts acknowledged by the enterprise or ascertained in its writ of execution. The personnel, in accordance with the plan, then automatically receive notice of the termination of their labor contract.

The draft stipulates that responsibility for the bankruptcy is equally on the side of the director as on self-government. Besides financial responsibility for the losses unintentionally incurred, it appears that the director of the enterprise that goes bankrupt cannot fill a management position in a collectivized administration for the next 5 years, unless the court determines that he does not bear the blame for the bankruptcy. On the other hand, members of the workers' council in the bankrupt enterprise are to be divested of their

of their inactive right of election to organs of workers' self-government for 5 years after the dissolution of the council.

All of the personnel, however, will feel the effects of the bankruptcy. Admittedly, our state is constitutionally obligated to assure everyone work, but it is well known that, as a rule, this may no longer be as attractive a job as the worker had until now. The prospect of a change in employment, thus, is connected to personal risk.

In the new system, when results are to depend on decisions by self-governing enterprises, not only participation in profits must be foreseen, but also the risk of losses through bankruptcy and the negative consequences linked with this. Thus, the law will be an important element in the entire structure of economic reform and it is a pity that it will come into force after such delay.

9891

CSO: 2600/568

## SUPPLY SITUATION OF MAJOR INDUSTRIAL MATERIALS ASSESSED

Warsaw GOSPODARKA MATERIALOWA in Polish No 20, Oct 82 pp 473-378

[Article by J. Gerasimienko, A. Chmielowiec and D. Wilczynsak: "Assessment of the Supply Situation of More Important Raw and Other Materials as Well as Fuel in June and in the First Half of 1982 as Well as a Prognosis for the Supply Situation in the Second Half of 1982"]

[Text] Significant problems caused mainly by limited supply-coproduction imports from countries of the second payments area [capitalist countries] continued in June of this year [1982] in the national economy's supply of basic raw and other materials as well as fuel. Against a background of generally serious supply difficulties, the implementation of production tasks in fuel-energy subsectors proceeded more favorably. However, falling trends continued in processing subsectors, particularly in those which to a large extent use raw materials and components from the second payments area; i.e., in the chemical, electroengineering and light industries.

In imports from the second payments area, which decreased by 40 percent in comparison with the first half of last year [1981], the greatest drop in supply imports was noted in terms of crude oil (a drop of 49.3 percent), iron ore (42.3 percent), metallurgical products (30.4 percent), paper cellulose (59.1 percent) and cotton (73.7 percent). On the other hand, the import of such commodities as: phosphoric raw materials, aluminum and natural rubber increased.

In imports from the first payments area [socialist countries], there was an increase in deliveries of paper cellulose, paper and cardboard as well as chemical fibers for the textile industry. However, deliveries of apatites for the production of mineral fertilizers were delayed. In general, the import of supplies from countries of the first payments area was 5 percent lower in the first half of this year in comparison with the same period last year.

Continuing supply difficulties caused industrial sold production to be lower in March and June of this year than during the same period last year. The decline in production amounted to 4 percent (with a drop in the processing industry of 4.8 percent and an 8.3 percent increase in the mining industry). During the period from January through June of this year, sold production



Table 1. List of Supplies of Selected Raw and Other Materials and Fuel in June and in the First Half of 1982.

(1)	(2)	(3)	(4)	(5)	(6)	(7)
Lp.	Wyszczególnienie	Jedn. miary	Średniokw. wyk. dost. w czerwcu 1982 r.	Wskaz. na czerw. 82	Średniokw. wyk. dost. w I półr. 1982 r.	Wskaz. na I półr. 1982 r.
1	2	3	4	5	6	7
1	Węgiel kamienny	typ. 1	19 081.0	119.0	82 100.0	119.0
2	Benzyna motoryowa	"	267.9	80.5	1 379.5	84.0
3	Olje opałowe	"	232.9	78.0	1 369.0	78.0
4	Olje napędowe	"	285.5	94.0	2 318.1	93.0
5	Energia elektryczna	typ. 1	8 212.0	100.3	36 919.0	99.5
6	Wyroby walcowane	typ. 1	825.5	90.0	4 673.0	79.0
7	Miedź elektrolit.	tona	19 004.0	87.0	91 724.0	100.0
8	Cyna	"	18 970.0	88.0	78 082.0	94.0
9	Ołów	"	8 911.0	232.0	43 273.0	100.0
10	Cyna	"	149.0	"	1 293.0	89.0
11	Aluminiun	"	11 360.0	94.0	61 423.0	82.0
12	Akumulatory do pol. samochodow.	typ. 1	152.4	129.2	694.4	113.0
13	Poliolefiny	tona	8 507.0	73.0	61 180.0	107.0
14	Polietylen	"	3 684.0	147.0	22 419.0	94.0
15	Polietylen waga	"	9 413.0	114.0	41 573.0	91.0
16	Polietylen	"	2 759.0	104.0	14 590.0	80.0
17	Kauczuk naturalny	"	1 861.0	188.0	18 549.0	101.4
18	Kauczuk syntetyczny	"	8 883.7	111.4	88 778.9	96.7
19	Opony do samochod. osobowych	typ. 1	83.3	80.0	699.7	80.4
20	Opony do samochod. ciężarowych	"	156.3	122.0	1 690.4	99.5
21	Opony ciągnikowe	"	44.2	144.0	180.9	91.1
22	Cement	typ. 1	1 420.8	103.0	7 334.9	97.0
23	Tarcza tekturowa	typ. 1	224.0	86.0	1 708.0	84.7
24	Płoty włókiennicze	"	75.8	102.6	619.8	101.3
25	Papier	typ. 1	83.8	114.6	487.3	97.3
26	Tektura	"	17.2	99.4	106.4	92.0

Key:

1. Number
2. Classification
3. Unit of measure
4. Estimated chart of supplies for June of 1982
5. Index for June 1982 and June 1981
6. Estimated chart of supplies for the first half of 1982
7. Index for the first half of 1982 and the first half of 1981
8. Hard coal
9. Motor gasoline
10. Furnace oil
11. Diesel oil
12. Electric energy
13. Polled products
14. Electrolytic copper
15. Zinc
16. Lead
17. Tin
18. Aluminum
19. Automobile storage batteries
20. Polyethylene
21. Polypropylene
22. Polyvinyl chloride

23. Polystyrene
24. Natural rubber
25. Synthetic rubber
26. Passenger automobile tires
27. Truck tires
28. Tractor tires
29. Cement
30. Coniferous timber
31. Chipboards
32. Paper
33. Cardboard
34. Thousands of tons
35. Millions of kilowatt-hours
36. Ton
37. Thousands of units
38. Thousands of cubic meters

### Fuel-Energy Situation

Hard coal: The mining of hard coal during June of this year continued to proceed favorably. This high degree of mining made it possible to fully satisfy domestic needs and to further increase consumer reserves of this fuel. Supplies of hard coal for domestic use amounted to 13.1 million tons in June of this year and were higher than the operational projections and the supply amounts attained in June of last year (by approximately 19 percent). From the beginning of this year, domestic consumers received a total of 82.1 million tons of hard coal indicating an increase of 10 percent in relation to the first half of last year. Coal supplies in the possession of industrial consumers reached a level nearly two times higher than during the same period last year--estimated at approximately 10 million tons. This concerns the public-utility power industry, coking plants as well as many other industrial consumers. There appear, therefore, difficulties related to the storage of coal. Coal supplies in mine storage yards have also increased considerably reaching more than 1 million tons at the end of June of this year as compared to 100 thousand tons at the beginning of the year.

It is estimated that during the second half of this year, the high degree of hard coal mining will continue, thus enabling the attainment of supply level amounts which would satisfy consumer needs.

On the whole in 1982, it will be possible to achieve a certain increase in supplies in relation to 1981 and to the Central Socioeconomic Plan [CPS]. To a large extent this is dependent on the improvement of the situation in the transportation industry.

Liquid Fuel: Supplies of liquid fuel to domestic consumers continued to proceed under conditions of limited supply capacities in June of this year. In relation to June of last year, the level of supply deliveries of furnace oil was about 30 percent lower, that of motor gasoline--9.5 percent lower and of diesel oil--6 percent lower. In relation to May of this year, a small improvement was noted only in supplies of motor gasoline for consumers.

However, the reduction in crude oil refining and the restricted import of this fuel do not allow for a more marked improvement of the supply situation. On a half-year scale for 1982, supplies of liquid fuel were considerably lower than during the same period the year before whereby the greatest drop in supplies affected furnace oil (by approximately 22 percent) as well as motor gasoline (by 16 percent).

During the second half of this year, improvement in supply deliveries of liquid fuel to consumers should not be expected. Deliveries of motor gasoline and diesel oil will be lower than during the same period last year (by about 8 percent). It is also anticipated that in the area of supply deliveries of furnace oil, the existing difficulties will continue and even worsen as a result of the further decrease in supplies.

On a yearly scale, a drop ranging from 6 to 16 percent in supply deliveries of these three kinds of fuel is anticipated in relation to 1981.

Electrical power: The use of electrical power in June of this year amounted to 8,212 million kilowatt-hours thus indicating a small increase (0.3 percent) in relation to the amount used in June of last year. During this period, restriction were not applied to electrical power supplies for industrial consumers. During the period from January to June of this year, the domestic use of electrical power amounted to 58.0 billions of kilowatt-hours and was 1.5 percent lower by comparison with the first half of last year. Favorable progress in supplying domestic consumers with electrical power was possible due to increased supplies of hard coal and the reduction of power equipment breakdowns. It is also the result of a decreased need for power on the part of industry.

The situation will be similar during the second half of this year as well. The high level of hard coal mining and encased reserves of hard coal around power plants indicate the possibility of maintaining electrical power supplies at a level of 56 billion kilowatt-hours and even a small increase in relation to the second half of 1982.

In total for 1982, it is estimated that the supply of electrical power will be maintained at last year's level, i.e. at 115 billion kilowatt-hours.

#### Supplying Industry With Basic Raw and Other Materials

Products of the iron and steel industry: In June of this year, an increase was noted in the production and supplies of the iron and steel industry in comparison with the preceding months of this year's second quarter. Supplies of rolled products amounted to 825.5 thousand tons and were 10 percent lower by comparison with June of last year (in May of this year, supplies decreased twofold). In the assortment structure of supplies of products from the iron and steel industry, there continued to be shortages of, among other things, rolled products made from quality steel (for the mining power and building industries), galvanized sheet metal for the food and chemical industry, black plate for the metal products industry and for the production of rolling stock, drawn and peeled bars as well as steel pipes imported from the second payments area.

It is anticipated that during the second half of this year, supplies of rolled products will increase by more than 300,000 tons as compared to the first half of the year, thus enabling a certain improvement in the supply situation for consumers. In terms of 1982, supply amounts projected in the CPSG will be surpassed (by approximately 6 to 7 percent). However, considerable shortages should continue to be expected in the area of assorted products imported from capitalist countries or for whose production imported raw materials and alloy additives are necessary. Thus, as in the first half of this year, these are mainly products made from quality steel, galvanized sheet metal and steel pipes. In these groups of metallurgical products, there can even be a further decline of supplies during the fourth quarter of this year. Metallurgical plants are signalling that besides problems in the supply of materials, the issue of worker shortages is gaining increasing significance.

**Nonferrous metals:** In terms of supplying consumers with basic nonferrous metals, deliveries of copper, lead and aluminum proceeded without any greater problems. Supplies of electrolytic zinc and particularly tin were lower. In June of this year, only 149 tons of tin had been imported while the average monthly supply deliveries for the period January to May of this year amounted to approximately 230 tons--not enough to cover consumer needs. This caused a further drop in the production of galvanized sheet metal, tin-lead binding materials, casted bronze, bearing alloys and consequently, in sheet metal packaging and in many products of the electro-machinery industry. In terms of the first half of this year, supplies of nonferrous metals are considerably lower (with the exception of copper and lead) in comparison with the same period the year before. This particularly concerns tin and aluminum (a 40 percent reduction).

It is assumed that in the second half of this year, there will be an increase of supplies of basic nonferrous metals for the country's needs, thus making it possible to surpass the supply level projected for 1982 in the CPSG. Supply deliveries of copper, zinc and lead ought to satisfy the basic need of consumers. On the other hand, the attainment of the indispensable level of zinc and aluminum will be considerably more difficult and may consequently threaten with further reductions in the production of such products as: metal packaging, cables with aluminum wires, casting aluminum alloys and tin-lead binding materials.

**Storage batteries:** Supplies of acid storage batteries for automobiles in June of this year came to 153,400 units, i.e., 8,600 units more than in May of this year. In relation to the industrial production plan, this was 4,500 units less i.e., approximately 3 percent (the planned supply deliveries of automobile storage batteries were surpassed, however, the projected deliveries of tractor storage batteries were not carried out). The manufacturers of storage batteries continue to experience shortages of obonite casings, especially for the production of tractor storage batteries. During the first half of this year, a total of 894,400 units of storage batteries was supplied, i.e., over 100,000 units more than during the same period last year.

It is estimated that during the second half of this year, there will be a further increase in the production and supply of storage batteries (more than 30 percent in relation to the same period last year) which, with the expected continuation of a good supply of lead, will depend mainly on the improvement of the implementation of the supply of ebonite casings. The implementation of approximately 950,000 units of storage batteries in the second half of this year will make it possible to exceed, to a small degree, the amounts projected for 1982 in the CPSG and at the same time to somewhat alleviate the continuing sharp deficit of storage batteries.

**Plastics:** In June of this year, the industrial production plan for high-strength polyethylene was not implemented as a result of the earlier shutdown of the installation system in Plock for repairs. In relation to May of this year, supplies of polyethylene were lower by 1,250 tons, i.e., more than 15 percent lower. The decrease in supplies caused the consumer reserves of this raw material to become exhausted. The effects of this shortage have already been felt from the first days of July whereby with reserves down to zero and a seriously limited production, there is no possibility of providing for the needs of domestic consumers with the exception of manufacturers of bags for chemical fertilizers. Supplies of polyethylene, counting from the beginning of this year, were 7 percent higher in relation to the amount implemented in the first half of last year. Supplies of polypropylene in June of this year and in terms of the first half of this year proceeded without any greater problems. This is the result of lowering the need for certain products made from polypropylene, among these being conveyers [transporterki] and the positive implementation of production tasks. In June of this year, the production surplus of polypropylene was assigned in its entirety for export.

Serious problems continue to be felt in supplies of polyvinyl chloride [pcv] intended for consumers, especially supplies of suspension pcv. In June of this year, domestic production was limited due to a shortage of pcv supplies from GDR. Imports of polyvinyl chloride from the first payments area were carried out according to plan; it should be stressed however, that deliveries of suspension pcv from the Hungarian People's Republic did not begin until June of this year and as a result of the supplies projected for the second quarter of this year, only one month's supplies were implemented. During the period from January to June of this year, supplies of pcv were 40 percent lower by comparison with the same period last year.

The situation is also difficult in terms of supplying consumers with polystyrene. In June of this year, there was a slight improvement in the implementation of these supplies but consumer needs continue to be provided for to an inadequate degree. The major limiting factor here is the lack of foreign exchange funds for the import of raw materials and finished products. Supplies implemented in the first half of this year were 40 percent lower in relation to the same period last year.

In the second half of this year, problems in supply deliveries of plastics may be expected. Despite an anticipated increase in supplies, in comparison



with the second half of 1981, of three basic groups except for polyethylene. The situation depends to a large extent on imports from the first payments area [socialist countries].

On a yearly scale, however, an increase is expected in supplies of polyethylene in relation to last year and a decrease in the remaining groups, being especially serious in the case of polyvinyl chloride (a drop of approximately 13 percent) and polystyrene (approximately 25 percent).

Rubber: Supplies of natural rubber in June of this year amounted to 1,951 tons and were more than two times lower than in May of this year. A relatively high level of imports in May of this year resulted in that despite a decrease in supplies during June of this year, greater problems in supplies for domestic consumers were not noted. The total amount of natural rubber supplies during 6 months of this year was at a level implemented during the same period last year.

Considerable problems occurred in supplies of synthetic rubber for the rubber industry. This was caused by a serious limiting of production in the Oswiecim Chemical Plants as a result of a shortage of imported stearin. According to information from the distributor of rubber for the Stomil Enterprises in Lodz, the situation improved during the first days of July of this year. In June of this year, there were no problems noted in the import of synthetic rubber from the first as well as the second payments areas. Altogether, supplies from all supply sources were lower in June than in April and May of this year by approximately 35 to 40 percent. Supplies of synthetic rubber from January through June of this year were more than 11 percent (nearly 7,000 tons) lower than during the same period last year.

It is anticipated that the import of natural rubber projected in the amount of 25,000 tons for the second half of 1982 as well as supplies of synthetic rubber in the amount of 54,500 tons will assure the needs of the rubber industry.

Tires: Supplies of tires for domestic consumers came to 283,800 units in June of this year. By comparison with supplies implemented in June of last year, this was a drop of 148,700 units, i.e., 34.4 percent. Supplies of tires for passenger automobiles reached the lowest level--30 percent lower than in June of last year. Supplies in terms of tires for trucks, machinery and equipment increased 22 percent while tractor tire supplies increased 44 percent. However, this did not make it possible to significantly decrease supply difficulties which have been occurring from the beginning of the year.

Supplies of tires during the first half of this year amounted to a total of 2,222,400 [as published] units, thus reaching a level lower by 674,700 units than that in the first half of last year. Supplies of passenger automobile tires were 40 percent lower by comparison with supplies for the first half of last year and 38 percent lower than the supply plan for this period. Supplies of tires for trucks, machinery and equipment including

agricultural equipment amounted to 999,700 units. In relation to last year, supplies were approximately 1 percent lower and in relation to the supply plan--20 percent lower including in this, tire supplies for agricultural machinery and equipment which in relation to plan assignments were more than 10 percent lower. Supplies of tractor tires came to 192,300 units, i.e., approximately a 9 percent drop in supplies.

The low level of tire supplies was the result of production difficulties related to material supply shortages while during the most recent period, the main factor limiting production was insufficient employment. The serious tire deficit is being felt by all those using automobiles as well as machinery and equipment (particularly agricultural machinery and equipment). The effects of tire shortages are very widespread and serious causing the withdrawal from use of many motor vehicles as well as machinery and equipment. For example, in the State Motor Transport System [PKS], nearly 7,000 units of transportation vehicles have been currently withdrawn from service for lack of tires and for this same reason, approximately 1,000 service runs are being recalled daily.

It is estimated that during the second half of 1982, supplies of tires to consumers for passenger vehicles, trucks and machinery as well as equipment will also be far from adequate. The tire supply amounts projected for 1982 in the CPSG will not be implemented for all types of tires. This indicates the further decline in the level of supplies for consumers which began its downward trend in 1980. Tire supplies for passenger automobiles and trucks will undergo a particularly drastic reduction.

Cement: Cement supplies in June of this year amounted to 1,420,800 tons, thus surpassing the supply level of June of last year by 3 percent. Supplies for the first half of this year amounted to 7,354,900 tons--a 3 percent drop in supplies as compared to the first half of last year.

It is anticipated that cement supplies during the second half of this year will be higher by 1 million tons in comparison with the first half of the year (in relation to the second half of last year, this indicates an increase of nearly 40 percent). The tasks of CPSG for 1982 will be surpassed by approximately 5 percent. In the presence of a relatively favorable situation in cement production, the attainment of the supply amounts projected for the second half of this year, will depend mainly on ensuring essential numbers of transport rail-cars, cement cars [cementowoz] and cement bags.

Lumber and paper industry products: Supplies of coniferous lumber in June of this year amounted to 324,000 cubic meters reaching a 15 percent lower level than the amount of supplies implemented in June of last year. The reduction in the amount of supplies affected, among others, the woodwork industry as well as the furniture industry which use pinewood for the production of furniture destined for export.

Supplies of coniferous lumber in the first half of this year reached 1,226,000 cubic meters and were much lower than the supplies implemented

during the first half of 1981, i.e., 31.6 percent lower. The reason for such low supplies of wood are difficulties in the obtainment and transport of wood from forests.

During the second half of this year, a certain improvement in supplies of coniferous lumber and the attainment of the level of supplies from the second half of last year are expected.

However, on a yearly scale, it will not be possible to reach the 1981 supply level (it will be approximately 7 percent lower). This is related to the difficult situation which occurred in the first half of 1982.

In June of this year, there occurred an increase in supplies of particle board for domestic consumers. Supplies amounted to 75,800 cubic meters, i.e., 3.6 percent more than in June of last year. The amount of particle board supplies for the first half of this year presents itself in a similarly favorable light: supplies reached 519,800 cubic meters and were 1.3 percent higher than last year. Supplies of particle board for its major consumer--the key furniture industry--amounted to 307,000 cubic meters in the first half of this year and were 3.2 percent higher than the projected tasks.

A nearly 10 percent increase of particle board supplies as compared with the second half of 1981 is expected in the second half of 1982. However, on a yearly scale, the increase will come to approximately 4 percent in comparison with 1981.

In the structure of assorted products, supplies of high-quality panels, principally those that are varnished and laminated, are the most threatened because of a shortage of chemical supplies.

In June of this year, supplies of paper reached 71,600 tons--a drop of 28.4 percent by comparison with supplies in June of last year. Supplies of paper during the first half of 1982 were also lower than the supplies implemented in 1981. During the same period last year, the amount of supplies came to 487,300 tons, i.e., 7 percent more. It is estimated that the need of domestic consumers for paper is approximately 30 percent higher [this year].

A certain increase (approximately 7 percent by comparison with the second half of 1981) of paper supplies is expected in the second half of this year.

On a yearly scale, the maintaining of these supplies at the 1981 level is expected.

The implementation of cardboard supplies in June of this year amounted to 17,200 tons, thus assuming a 17 percent lower level than in June of 1981. Supplies of cardboard for the first half of this year amounted to 105,400 tons--a 12 percent drop in comparison with the first half of last year. The decrease in supplies of cardboard was caused by the noncompletion of the production plan in the Cellulose-Paper Plants of Swiec as well as due to a decrease in imported supplies. The shortage of cardboard resulted in a limited production of goods manufactured from it, tarpaper, among others.

It is assumed that in the second half of this year, supplies of cardboard will increase (by approximately 5 percent) in relation to the first half of the year as well as in relation to the second half of 1981. On a yearly scale, the maintaining of the 1981 supply level is expected.

The shortage of paper, cardboard and their products (packaging, among others) will, therefore, continue to be significant and deeply felt by a majority of consumers.

#### Other Materials and Products

Building materials--supply difficulties are being signalled particularly in reference to:

--flooring material, i.e., mainly tile and floor covering made from pcv or "Lentex". The cause for the appearance of shortages is limited production due to a shortage of chemical raw materials necessary for production. The decrease in the production of pcv floor covering amounts to about 60 percent and of Lentex--around 50 percent;

--thermal-insulation material: the need for mineral wool panels, insulation material and asbestos-cement panels has not been fully met. The reduced supplies of tarpaper are caused by limited production capacities of cardboard factories (wornout machinery);

--gas stoves: a shortage of nearly 100,000 units may be lessened by way of limiting market supplies. A proposal to take 40,000 gas stoves off the market has been sent to the office of domestic trade and services [as published]; and

--paint and varnish: Meeting the needs of the building industry is determined by the allotment of payments funds (10 million dollars) by the minister of this office for the import of components.

Cables and conduits: the domestic consumer need for cables and conduits during the current year, exceeds considerably the planned amounts from domestic production and imports. Supplies of copper electrical power cables which were implemented during the first half of this year provide for approximately 50 percent of the consumer needs. The situation in the area of aluminum electrical power cables is unfavorable as well whereby approximately 60 percent of the needs have been met.

It is anticipated that in the second half of this year, serious shortages of thick cables from 70-240 square millimeters will appear as well as of cables with a voltage of more than 6 kilovolts which are used in supplying power to buildings and communities. Currently, a number of apartment as well as public service buildings cannot be turned over for use as a result of the cable shortage. The completion of tasks contained in production plans is being threatened because of the insufficient supplies of cables and conduits for the mining and power industries as well as for food agriculture. The main reason for such a low production of cables and

conduits are supply shortages, particularly of aluminum, polyvinyl and insulation varnishes.

Light bulbs and fuse elements: the occurring shortages in supplies of lightbulbs and fuse elements have been caused by limited production capacities and by lack of possibilities for increasing imports. The supplies planned for the second half of this year will meet approximately 60-70 percent of consumer needs.

Protective and work clothing: due to a shortage of leather and leather substitutes and rubber and fabrics, the production and supplies of protective and work clothing, protective gloves and protective and work shoes have become limited.

It is estimated that during the first half of this year, only about 33 percent of the annual plan for work and protective clothing supplies has been implemented. Supplies of leather and rubber footwear are also delayed (approximately 35 to 40 percent of the annual plan for supplies of protective and work clothing has been implemented). In the second half of this year, an improvement in the supply of rubber footwear for consumers is expected. However, shortages of leather footwear will continue to occur. The occurring shortages of many kinds of clothing and footwear as well as gloves are causing mass interventions by work establishments in the distributorships and manufacturers of these goods.

Supply shortages are being signalled within a series of other products which are considered as aids in production, such as: square building nails, craft and farm implements, bearings, pneumatic elements, wires, cables, screws, paints and varnishes, freon and glue. Shortages of many chemical supplies, whose production depends on the importing of accessories and components from the second payments area, are particularly acute.

During the first half of 1982, the economy experienced an improvement in supplies of coal and certain raw and other materials of domestic origin with concurrent increasing difficulties in supply-coproduction imports from countries of the second payments area. The continuing high level of hard coal extraction causes supplies of solid fuel and electrical power to no longer be a factor which limits production. Together with an expected increase of supply imports from socialist countries, this will enable the creation of conditions for stimulating production in certain areas during the second half of the year. Table 2 illustrates the foreseen course of supplies in the second half of 1982.

Possibilities of increasing industrial production will continue to be related to a significant degree to the obtainment of additional foreign-exchange revenues by way of increasing the export of, for example, copper, hard coal, and sulfur. The synchronization of purchases in order to prevent the unproductive accumulation of reserves and the concurrent incomplete utilization of production potential will constitute an important task under circumstances of limited import possibilities.



The problem of the incomplete utilization of basic raw materials is in many instances caused by a shortage of imported accessories and components. In connection with this, the Economic Committee of the Council of Ministers made a decision (no 89, dated 5 May 1982) about including several dozen additional articles in imports covered by central funds during the second half of 1982, among these being: nonferrous metal ore, nonferrous metals, ferroalloys, paraxylene [paraksylen], steel cords, wires and cables for the rubber industry, and glue ingredients. This decision concerns a number of materials which are indispensable for ensuring basic consumer needs and at the same time which do not have backing in funds obtained from foreign-exchange allowances or in allocations acquired through subsector ministries. The implementation of this decision depends on the payments situation. In addition, it will not improve the supply situation in the immediate future because from the moment an agreement is signed to the time goods are actually delivered, a period of even several months may elapse in the case of some products.

The achievement of even a small improvement in the supply situation requires the undertaking of intensive activity aimed at eliminating unfavorable phenomena which have been occurring during the first half of this year, i.e., the tendency to stabilize production on a low level, achieving credit power through price increases, a drop in work productivity along with a concurrently increasing wage fund, a too low level of export task implementation to countries of the second payments area in relation to import needs, inefficient employment policies in enterprises, a low level of work discipline and not adapting the assortment structure of production to the needs of consumers.

Furthermore, during the second half of this year, the following should be expected: the appearance of effects from the introduction of economic reform policies, such as a change in the system of crediting the economic activity of enterprises, the functioning of the system of foreign-exchange allowances as well as the practical ushering in of new principles in the system of providing material-technical supplies. However, it should not be forgotten that the functioning of these mechanisms may succumb to considerable deformation as a result of the above mentioned unfavorable phenomena and their result in the form of an insufficient supply of goods in relation to the needs.

Table 2. Foreseen Implementation of Supplies of Selected Raw and Other Materials in the Second Half of 1982.

№	Name of material	Unit of measure	Implementation in the second half of 1981	Foreseen implementation in the second half of 1982	Index for the second half of 1982/the second half of 1981 in percentages	Implementation in 1981	Foreseen implementation--1982	Index of the foreseen implementation in 1982/index for 1981 in percentages
10	Hard coal	100 000 t	100000	100000	100	100000	100000	100
11	Gasoline	100 000 t	100000	100000	100	100000	100000	100
12	Furnace oil	100 000 t	100000	100000	100	100000	100000	100
13	Diesel oil	100 000 t	100000	100000	100	100000	100000	100
14	Electrical power	100 000 t	100000	100000	100	100000	100000	100
15	Finished rolled products	100 000 t	100000	100000	100	100000	100000	100
16	Electrolytic copper	100 000 t	100000	100000	100	100000	100000	100
17	Zinc	100 000 t	100000	100000	100	100000	100000	100
18	Lead	100 000 t	100000	100000	100	100000	100000	100
19	Tin	100 000 t	100000	100000	100	100000	100000	100
20	Aluminum	100 000 t	100000	100000	100	100000	100000	100
21	Automobile storage batteries	100 000 t	100000	100000	100	100000	100000	100
22	Polyethylene	100 000 t	100000	100000	100	100000	100000	100

Key:

1. Number
2. Name of material
3. Unit of measure
4. Implementation in the second half of 1981
5. Foreseen implementation in the second half of 1982
6. Index for the second half of 1982/the second half of 1981 in percentages
7. Implementation in 1981
8. Foreseen implementation--1982
9. Index of the foreseen implementation in 1982/index for 1981 in percentages
10. Hard coal
11. Gasoline
12. Furnace oil
13. Diesel oil
14. Electrical power
15. Finished rolled products
16. Electrolytic copper
17. Zinc
18. Lead
19. Tin
20. Aluminum
21. Automobile storage batteries
22. Polyethylene

23. Polypropylene and copolymer ethylene-propylene
24. Polyvinyl chloride and copolymer vinyl
25. Polystyrene and copolymer styrene
26. Natural rubber
27. Synthetic rubber
28. Passenger car tires
29. Tires for trucks, machinery and equipment
30. Tractor tires
31. Cement
32. Coniferous lumber
33. Chipboards
34. Paper
35. Cardboard
36. Thousands of tons
37. Millions of kilowatt-hours
38. Ton
39. Thousands of units
40. Thousands of cubic meters

9853

CSO: 2600/475

MINISTER PROMISES IMPROVEMENTS IN DOMESTIC TRADE SECTOR

Bucharest ROMANIA LIBERA in Romanian 2, 3 Feb 83

[Interview with Ana Muresan, minister of domestic trade, by Mircea Scripca (Parts I and II)]

[2 Feb 83 pp 1,2]

[Text] [Question] Now, at the beginning of a year that is decisive for the proper completion of the five-year plan we would like to know what are the major concerns of the domestic trade sector in terms of achieving a new quality of performance and, implicitly, boosting the input of this sector into the attainment of the chief aims of the party socioeconomic policy.

[Answer] From the outset I would like to point out that under socialist construction, as a sign of the special concern and constant effort of the Romanian Communist Party for the superior satisfaction of working people's needs, domestic trade has been developing tremendously and its physiognomy has undergone a fundamental change. Hence, it is significant that the trade network now counts about 80,000 retail trade and catering trade units, totalling an area of more than 8.8 million sq m. On the line of implementing the directives of party secretary general Nicolae Ceausescu on a modern and unified approach for expanding trade, important qualitative changes have been constantly occurring, which, among others, are illustrated by the fact that on a countrywide scale, about two-thirds of the existing trade network was established in the last 17 years.

Major towns and worker settlements now have 71 department, general and BIG-type stores, modern farm markets and a large number of specialized units for marketing all kinds of goods, located in major housing developments, opened under the comprehensive program for continuous upgrading of the living standards of the population. In 1982 alone, under the Ministry of Domestic Trade system, newly built stores were opened, totalling an area of almost 270,000 sq m. On the line of wisest possible territorial distribution of trade units, for the homogenization of goods marketing conditions, in compliance with the RCP policy of balanced and harmonious development of all regions of the country, the recently concluded year saw the opening of trade units such as: the department stores in Petrosani and Sf. Gheorghe towns, the emporiums in Caransebes and Cimpulung-Muscel, the shopping centers in GopaiMica and Toplita, many trade units in the shopping area of Alexandria, Miercurea Cluc, Rm. Sarat, Tulcea, Urziceni, Craiova, Focsani, Buzau, Pitesti and other towns, and in the new residential districts of Bucharest Municipality.

[Question] In the overall effort to expand trade activity, a central concern involves, of course, provision of the public with a continuously growing amount of goods, diversification, innovation and modernization. What is your comment on this?

[Answer] In this context, per capita consumption for some food products is close or even exceeds the levels in a number of economically developed countries. Moreover, on a systematic basis, there has been a rise in the public's buying nonfood products and provision of families with durable household goods and goods for cultural uses has been increasing continuously. Figures tellingly show that during the 1966-1981 period socialist trade units sold more than 6 million radio sets, 5.3 million television sets, 3.8 million refrigerators, 2.6 million washing machines, 625,000 cars, furniture valued at more than 75 billion lei, and this has resulted in a more and more complex furnishing of working people's dwellings, in increasing the level of comfort and degree of civilization.

Pointing out that conditions exist for the implementation of the five-year plan of socioeconomic development of the country, the December 1982 National Conference of the Romanian Communist Party decided on new measures to increase remuneration, so that by the end of 1983 a 4 percent increase in remuneration concurrently with increased incomes of the peasantry are envisioned. Conditions will thus be created for better satisfaction of the people's consumption needs, with socialist trade being allotted the task of turning out in 1983 a total retail marketing volume valued at 268 billion lei, 3 percent larger than that of 1982. We are aware that to this end there is the need for maximal mobilization of all the workers in this sector and also of the makers of consumer goods; the results of the activity conducted will also materialize into a new quality of work in the trade sector.

[Question] Certainly, the achievement of a new quality of work in domestic trade involves all the facets of trade activity. Therefore please focus on the main directions on which socialist trade will concentrate this year.

[Answer] Essentially, we plan to attain a superior level in supplies to the population, to assure a better qualitative service to the public, to steadfastly complete our tasks in the area of application of the new economic-financial mechanism. Undoubtedly, providing better supply of goods to the population primarily signifies developing trade activity in such a manner as to permit our industrial and agricultural products to reach the buyers in the best possible conditions.

Based on the special attention which is paid by the party and state leadership, by Nicolae Ceausescu, secretary general of the Romanian Communist Party, personally, to the proper development of industry and agriculture, the year 1983 -- according to the provisions of the Uniform National Plan for Socioeconomic Development and the program for territorial self-administration and self-provision, for provision of the population with agricultural food products, industrial goods and services during the 1983-1985 period -- will see the population supplied, through the socialist trade units, with a volume of goods which will be larger, more diversified and better qualitatively. Compared to the prior year, increases are envisioned in the marketing to the population of basic food products: meat and meat products, fish, milk, cheeses, vegetables and fruit, potatoes and the like, which will promote in Romanian consumption the requirements of scientific nutrition, with direct effects on the condition of health.



In close cooperation with suppliers, the trade enterprises will assure full take-over of the quantities specified in contracts, continuity in supplies, avoidance of any form of waste, also focusing on: ensuring the wisest possible distribution of the volume of goods to the various counties, worker settlements, districts and to the various trade units. Firmer action will be taken to perform strict quality control of products, involving both nutritional characteristics and features of food hygiene. Moreover, I must emphasize that the supplies of agricultural food products to the population decisively depend on the measures taken in each commune and town, in all counties in this country, for full implementation of production assignments, for delivery of products to the state fund, under the Program for Territorial Self-Management and Self-Provision, with elimination of some tendencies to request the central agency to supplement quantities of products that were supposed to be obtained locally.

With respect to the tasks of the trade sector in the area of self-provision, I point out that this year the farms under the public catering enterprises and the collective eateries will obtain large amounts of agricultural food products, as a result of raising 300,000 hogs, 850,000 fowls, 75,000 rabbits, 16,000 head of sheep and so forth. Moreover, vegetables needed for culinary productions will be cultivated. As a matter of fact, in public catering culinary production will account for almost 60% of all sales, with special emphasis placed on diversification of meals and menus, according to new recipe lists, based on greater use of vegetables, pasta, fish and fruit. This will ensure an annual average consumption in public catering units and collective eateries of 4.5 kg vegetable for 1 kg of cut meat. For the purpose of easing household work, the production will be expanded of pre-prepared convenience foods and fast food items, which will total 20,000 t.

The public catering network will be tailored to the new needs that arise, so that by the end of 1983, out of the total public catering units, 70% will involve culinary units, concurrently with the organization of new microcafeterias on the premises of some schools and colleges, the organization in some public catering units of sections for daily serving of meals for school and college students.

In compliance with the laws of consumption, of improvement of the standard of living, with the greater and greater increase in the public's demand for manufactured goods and taking into consideration the greater and greater potential of the consumer goods industry, it is expected that in 1983 the sales of textiles and footwear will go up about 5% versus the level for the previous year. This increase will materialize in significant rises in the volume of items for: garments, textiles, knits, silk type fabrics and the like. As a result of the implementation of special programs for the light industry, formulated by party Secretary General Nicolae Ceausescu, contracts were concluded for 1983 involving large amounts of overcoat substitutes for the cold season and for the entire year, linen and hemp garments for adults and children, footwear with uppers of cloth and other substitutes. In terms of the range of products, the volume of goods contracted for with the industry is diversified and characterized by ample innovation, in the context of use of native raw materials, reduction of imports and greater capitalization on reusable materials.

Moreover, in 1983 the public will be able to buy in specialized trade units 9% more china household items, 18% more glassware, over 6% more washing machines. Furthermore, we shall provide a volume of diversified items to meet demand in terms of radio and television sets, vacuum cleaners, furniture, and so forth.

Of outstanding importance is the measure taken in regard to provision of the trade network with seasonal goods, so that we may make sure that the entire range of items for the spring season is ready to be put on sale at the latest on 1 April, and the items for the fall-winter season, on 1 October.

For the purpose of attaining new qualitative levels in supplies of goods to the population, firmer action will be taken this year for the implementation of the directives of the party and state leadership on the movement of the volume of goods from warehouses to stores, to be made available to the public.

[3 Feb 83, pp 1,2]

[Text] In a prior issue of our newspaper, in an interview with Ana Muresan, minister of domestic trade, we discussed a number of important matters of domestic trade activity. Below is the continuation of this interview.

[Question] It is known that at the National Conference of the RCP party Secretary General Nicolae Ceausescu pointed out the need for ensuring the use for production of each square meter of land attached to any dwelling, for the purpose of best possibly meeting the consumption needs. Please tell us about the steps taken by the trade bodies -- in conjunction with industry -- for provision of the population through the trade network with some farm and gardening tools required for these operations.

[Answer] A work show was arranged in Bucharest, which displays more than 200 farming and gardening tools and implements for the purpose of providing the necessary items for performing the soil operations and planting, crop upkeep, harvesting and transportation, for animal husbandry, and for other farming and gardening works which can be carried out on individual plots, lands in noncooperativized zones and in private households in towns and other localities. The working character of the show was reflected in the contracting for products valued at more than 1.5 billion lei, including 400,000 units of farming implements and more than 30 million units of agricultural and household tools. The contracting for was performed by each county's trade enterprises of state trade and production, procurement and marketing cooperatives.

In light of the positive experience gained in Pitesti Municipality, where a store was established for marketing agricultural and household implements and tools, steps were taken for the organization, by 20 February 1983, in good time for the start of the spring farming campaign, in the major municipalities, of 38 similar stores by state trade enterprises and also within the framework of wholesale centers of enterprises for wholesale trade in metalchemical items. Similar projects also will continue in other localities. The trade units mentioned above will also sell specific chemical items such as: fertilizer and other substances, products needed for phytosanitary operations, and so forth. Other similar projects are also conducted by Centrocoop [Central Union of Consumer Cooperatives] in rural localities and in agroindustrial towns.

[Question] What can you tell us about the efforts of trade bodies to upgrade services?

[Answer] Undoubtedly, providing shoppers with superior service is a major task of socialist trade, especially in the context of improvement in the standard of living and requirements of the population. However, also involved is a set of activities and factors that ultimately lead to a high level of service. I have in mind all the elements that are related to the development, location, specialization and modernization of the trade network, provision with equipment, progress with adequate work means, marketing procedures, systems of presentation and display of the merchandise, the manner in which the salesperson-buyer relationship develops.

Continuing our efforts to implement the guidelines and directives of the party leadership, of party Secretary General Nicolae Ceausescu, on the development and improvement of the trade network structure, this year -- in accordance with the plan provisions -- trade units will be opened whose area totals, in the system of the Ministry of Domestic Trade, 2888,000 sq m, including 195,000 sq m in spaces on the ground-floor of apartment houses.

On the line of specialization of the trade network, in compliance with the consumption changes and needs of the population and the increased availabilities in the volume of manufactured goods, planned for this year is the organization of "Materna" type stores in all urban localities with populations of more than 50,000 inhabitants and also of specialized stores with items for children. Furthermore, the drive will be continued for the specialization of stores selling textiles-footwear and new stores will be opened: "auto-moto-velo-sport," furniture, building and finishing materials, housewares and appliances. In light of the positive results obtained in consequence of the establishment, for the first time in this country, in 1982, of some stores within the storage units of wholesale trade, which create facilities for shoppers and greater economic efficiency, by accelerating the rate of trade in the context of lower marketing costs, this year we shall continue to open more of these units and take steps to upgrade the operation of existing ones. The year 1983 will see the rise in the number of units that conduct modern trade, based on self-service, open display and free selection of merchandise. In this context, notable is the rate in 1982 in expanding self-service in the food product sector and public catering.

[Question] Because service to the public largely depends on the quality of the performance of the trade worker, on his or her political and professional background, on his or her expertise and behavior, solicitousness and sense of responsibility for the shoppers, what will be done in this area?

[Answer] We shall pay special attention in 1983 to professional training and advancement and to the activity of education of all the trade personnel. Under the program of measures worked out for the 1983-1984 academic year, provisions have been made for the establishment of vocational trade schools with a duration of 3 years, in which the instructional process will closely blend with practical training in the trade network. Moreover, for the vocational advancement of the personnel in the Ministry of Domestic Trade system, we plan to ensure this year the retraining of 40,000 workers, which will involve various forms, with special attention paid to retraining programs in classes organized in enterprises. The drive started last year will be continued, one that involves testing the knowledge of managers and management inspectors. Significant help in the work of educating trade workers will be provided by trade union organizations, the Union of Communist



Youth and the women commissions, through the organization and better unfolding of proper service contests, socialist emulation and other forms that are characteristic of educational work.

Considering that material incentive is an adequate factor of higher quality of work, steps will be taken, in light of the guidelines contained in the speech given by party Secretary General Nicolae Ceausescu at the conclusion of the RCP National Conference, to expand the more stimulating forms of remuneration of work, which, of course, also involve increased responsibility of each worker in the trade sector. With respect to improving the quality of service, we cannot omit the need for action to upgrade working conditions in the trade network, by concrete measures to supply the units with facilities for mechanized handling of merchandise, to ensure hygienic-sanitary conditions and to implement the labor safety regulations.

In light of the fact that characteristic of trade activity is its development in the form of a constant dialog between shoppers and trade workers, we are aware of the need for continuously broadening the ties with the masses of citizens, through the councils of representatives of consumers, the working people control commissions, through direct expression of consumers' views, through notations in the "Shoppers' Book" found in all trade and public catering units. To all this we add our efforts to ensure the better development of the activity of guidance and supervision in the trade network with the aim of ensuring full implementation of the provisions of the law on marketing of products and provision of correct and civilized service to shoppers, in strict compliance with the requirements of socialist ethics and equity.

[Question] To conclude our discussion, please comment on matters regarding greater efficiency of trade activity.

[Answer] As a matter of fact we took steps -- and continue to take steps -- for the implementation of the new economic-financial mechanism, for the reduction of turnover costs and for the increase in profitability not only in the overall trade sector, but also at the level of each trade unit, on every job. In this context, I would like to point out that in 1982, the trade enterprises in the Ministry of Domestic Trade system achieved savings in turnover costs amounting to about 225 million lei, with direct impact on the exceeding of the provisions in the profit plan.

We anticipate that this year will see even greater concern displayed for saving raw material energy and fuel, for recovery of packaging containers from the public and sending of these containers to suppliers, and also for the recovery of other materials (paper, cardboard, burnt bulbs, electric batteries, spray bottles, and the like) for their quick reintroduction in the economic flow. To characterize the size of this activity, we provide data from the plan for this year, which, for instance, specify the collection and utilization, from the population, of 5.2 billion bottles and more than 700 million jars.

The development of trade activity involves a large volume of expenses for the transportation and storage of goods. This year we shall take steps to extend direct deliveries of products from the manufacturing units to the marketing units, to utilize more efficient transportation facilities, to accelerate the rotation speed of the stocks of goods and of the other circulating assets existing in trade enterprises.

Worker self-administration and self-management, as a decisive component of the new economic-financial mechanism, of course, involves the need for all workers to focus on the objectives of the entire activity of trade enterprises, the day-by-day problems that arise in relation to the fulfillment of the plan assignments, marketing, supplies, incomes and expenditures, with using to this end the forms of our profoundly democratic framework, of direct involvement of the masses in management, in resolution and fulfillment of the tasks allotted the trade sector.

I feel very strongly that the general assemblies of working people, now in progress, will help to continuously improve work in the trade sector, to enhance order and discipline, to increase responsibility, in the exemplary fulfillment of the 1983 plan, and, consequently, to maximize the input of socialist trade into the improvement of the material and spiritual standards of the people.

11710

CSO: 2700/44



ELECTRIC POWER MINISTER PLANS IMPROVED EFFICIENCY, SUPPLY

Bucharest SCINTEIA in Romanian 8 Jan 83 pp 1, 5

[Interview with Trandafir Cocarla, minister of Electric Power, by Ion Teodor]

[Text] [Question] The National Party Conference stressed the need for a more rapid development of the country's energy base. What objectives have been established for 1983, and until the end of the current five-year plan? What qualitative changes will occur in the installed power structure and in the production of electricity?

[Answer] In accordance with the Electric Power Program adopted by the 12th Congress; with the tasks assigned in the program approved by the Plenary Session of the Central Committee of the RCP of 31 March 1982, as well as by the National Party Conference; and with programs formulated from the indications and under the direct guidance of Nicolae Ceausescu, one of the basic directions established for the development of the energy base consists in the rapid transition to power production with low grade coal from Romania's own resources, reducing the production of electricity from hydrocarbons. Consequently, in 1985, power plants operating with coal and bituminous shale will produce 34.8 billion kWh of power, compared to 17.9 billion in 1980. To achieve this large increase in power production with coal and shale, a number of new plants with an installed power of 4800 MW will be built during the current five-year plan. Thus, in addition to the electric power plants that are being built at Timisoara, Iasi, Suceava, Craiova, Giurgiu, Drobeta-Tr. Severin, Arad, Oradea, and so on, new construction will be started in 1983 on lignite power plants at Sibiu, Cluj-Napoca, Tg. Mures, Baia Mare, Satu Mare, Bacau, Pocsani, Braila-Chiscani, Slatina, Caransebes, as well as on bituminous shale plants at Doman-Secu. The same sustained construction rate will also be maintained for new electric power plants during the last two years of the 1981-1985 five-year plan.

Concurrently, we will intensify the exploitation of the hydroelectric potential available in our country. During this five-year plan, for instance, we will put in operation hydroelectric plants with an installed power of nearly 2500 MW, compared to the approximately 3600 MW built during the entire period since the liberation. As a result of the work which will be done until

the end of the current five-year plan, 45 percent of the country's hydroelectric potential will be utilized, as stipulated by the Directives of the 12th Party Congress. To this end, we have also inventoried the hydroelectric potential that can be exploited with micro-hydroelectric plants. Consequently, more than 700 such plants, with an installed power of 160 MW, will be built during the current five-year plan alone. Particular attention will also be devoted to nuclear power: the first such plant, equipped with five 660 MW generators, is fully under construction at Cernavoda.

The large investment volume that can be made during the current five-year plan, will bring significant qualitative changes to the structure of installed power in the national power system, and to the production of power. The proportion of power produced from coal and bituminous shale will increase from 26 percent in 1980, to 43 percent in 1985. Hydroelectric power will also be increased, thus fulfilling the tasks outlined by the National Conference of the Party, for a more rapid development of the country's energy base and for a reduced consumption of hydrocarbons.

[Question] Nicolae Ceausescu's speech to the Plenary Session of the National Council of Workers indicates that at the present time, existing production capabilities assure a reserve of more than 6000 MW beyond our needs. Nevertheless, a number of difficulties persist in the supply of power. How is this situation explained, and what measures have been taken for the proper operation of all installed power generators?

[Answer] The causes of this situation, for which we have been justly criticized in the Report to the National Party Conference, are numerous. By this we mean both the drought of recent months, and a number of shortcomings in our own activity, and in the activity of those who work in this field. And to tell the truth, added to all of these is the power wasted by some consumers, as well as the poor reliability of some auxiliary equipment. For instance, the shortage of water in reservoirs has produced a daily shortage in hydroelectric power of 1000 MW at peak load times. As some of the reservoirs empty, and as the inflows into them drop, some hydroelectric plants such as the ones on the Lotru, Mariselu, Gilceag, and even Arges, can no longer generate their planned levels of power. We might add that we, the electric power workers, have not repaired generators on schedule, and have not always acted with sufficient effectiveness to eliminate the damages that occurred in the national electric power system. In addition to our own shortcomings in maintenance, exploitation, and repairs, we are also confronted with the poor quality and low reliability of auxiliary equipment, pumps, turbines, and ventilators, all of which ultimately reduce the installed power of generators. As to consumers, meaning primarily industrial users, who are the largest users in the economy, I want to state that many cases still exist in which they exceed their allocated quotas of power.

In order to eliminate these shortcomings and increase the production of electric power in coal fired plants, specialists from the electric power sector in collaboration with those from the Ministry of the Machine Construction Industry and from the Ministry of the Machine-Tool, Electronic,

and Electrical Construction Industry, are conducting an intensive activity to complete projects which will increase the available power, reliability, and efficiency of generators, especially at the Turceni and Rovinari thermal power plants, which play a large role in the system. Through the measures that we have taken, we have succeeded in fulfilling the program approved by the party leadership to hasten the restarting of all generators that are being repaired, and we are convinced that we will succeed in controlling the situation. At the same time, mining enterprises will have to begin improving without delay the quality of the delivered coal, so that we may obtain higher power from operating generators.

I believe it is necessary to emphasize the need that all economic units understand this imperative, and act decisively to achieve their planned tasks while respecting their allocated electric power quotas. Instead of intervening with various agencies for larger allocations, they must take firm measures to reduce their electricity consumption and meet their quotas.

[Question] The delays encountered in placing new power objectives in operation have also reduced the possibilities for covering power requirements. What actions have been taken to more rapidly achieve the transition to coal and bituminous shale, and to overcome in 1983, the temporary difficulties existing in the supply of power?

[Answer] The development of the electric power sector is one of the constant concerns of the party leadership, and personally of Nicolae Ceausescu, under whose direct guidance we have formulated a true strategy for correlating electricity production with the needs of the national economy. As such, the Ministry of Electric Power must complete during this year investments of about 21 billion lei, representing a 20 percent increase over last year's achievements. According to the plan, 25 electric power units will be placed in operation during this year, 15 of which as thermal power plants and 10 as hydroelectric plants. To complete this large volume of investments, a number of measures have been taken, regarding intensified document preparation, improved construction, more extensive use of local materials, more mechanization and industrialization, and so on. We are devoting particular attention to attracting and retaining manpower. In order to hasten the execution and complete established programs at work sites, measures will be taken to organize operations on an industrial scale in three shifts, or in two extended ones. I am expressing my conviction that in completing this program we will receive the necessary support from the other ministries, which in fulfilling their annual plan tasks will contribute significantly to the more rapid start of the new electric power plants planned for this and future years.

[Question] In some situations, accidental interruptions in the operation of power generating equipment were due to the inattention or poor qualification of personnel. What actions are being taken to improve their training and the exploitation of installations, and in general, to improve the operating reliability of the national electric power system?



[Answer] Keeping in mind the indications of Nicolae Ceausescu, secretary general of the Party, we will continue to act to improve the training of the personnel, and in particular, of those employed in basic production units. Thus, at the Rovinari and Turceni plants, organized programs for perfecting the training of workers are being conducted, which involve specialists in research, design, and production. At the same time, we have intensified the training of young high school, professional school, and higher education graduates. At Turceni, we have established a new unit for professional, high school, and advanced education. Together with the Ministry of Education and Training, we have taken measures to improve education programs and the training of specialized teachers for these schools.

At the suggestion of the party leadership, and of Nicolae Ceausescu personally, a specific program of measures was formulated for better exploitation in installations. Consequently, starting with the difficulties encountered in the operation of coal fired installations, a number of projects are being carried out to increase capabilities for coal unloading, transportation, storage, and preparation. At the same time, tunnels for de-icing coal rail cars have been repaired, and unloading teams have been completed. I want to add that in order to supply consumers with complete reliability, optimum plans have been established to transport and distribute electricity along the shortest paths and with minimum technologic consumptions. Similarly, we have redesigned the power schedule approved for peak load hours for large consumers, in order to satisfy consumption in strict accordance with system availability, and to flatten the consumption curve. The actions we have taken have also significantly reduced instances of poor discipline, with prompt interventions being made to eliminate shortcomings caused by temporary stoppages of generators. A more sustained concern exists to improve the exploitation of installations and to increase the operating reliability of the national electric power system.

[Question] In closing, could you tell us what guarantees exist that in 1983 the national electric power system will operate better--both for production and for the citizenry--to provide the necessary electric and thermal power?

[Answer] Despite the shortcomings in the activity of some units, the steady supply of electric and thermal power to consumers has been and continues to be a constant concern of the Ministry of Electric Power. In this respect, I want to mention that exceptional efforts have been made for better operation of electric power plants, for completing a larger volume of repairs, and for improving the operation of boilers and ancillary equipment at the Rovinari and Turceni plants. The guarantee for a better operation of the national electric power system in 1983 comes from the scheduled completion of established plans and programs of concrete measures. Of course, contributing to this in an equal measure will be a better supply of coal to power plants, and particularly of high quality coal. At the same time, machine construction units can and must devote more substantial support with spare parts, subassemblies, and specialized manpower, so that the maintenance, repair, and operation of electric power installations will be substantially improved.

All the workers in the electric power industry are determined to act unstintingly, with all their strength and skills, to fully complete, at a higher level of quality, the tasks they have been assigned during this third year of the five-year plan, and those to come. This is the homage we, the electric power workers, pay to Nicolae Ceausescu, secretary general of the party, for the support he has given us, and the measures he has taken to steadily develop the national economy and lift the nation toward new heights of progress and civilization.

11,023

CSO: 2700/120

END



**END OF**

**FICHE**

**DATE FILMED**

April 29, 1983